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MARICOPA ASSOCIATION OF GOVERNMENTS (MAG) REGIONAL AFFORDABLE HOUSING ASSESSMENT

December, 2001

MARICOPA ASSOCIATION OF GOVERNMENTS

REGIONAL AFFORDABLE HOUSING ASSESSMENT

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MARICOPA ASSOCIATION OF GOVERNMENTS REGIONAL AFFORDABLE HOUSING ASSESSMENT: EXECUTIVE SUMMARY

REPORT PURPOSE AND FRAMEWORK

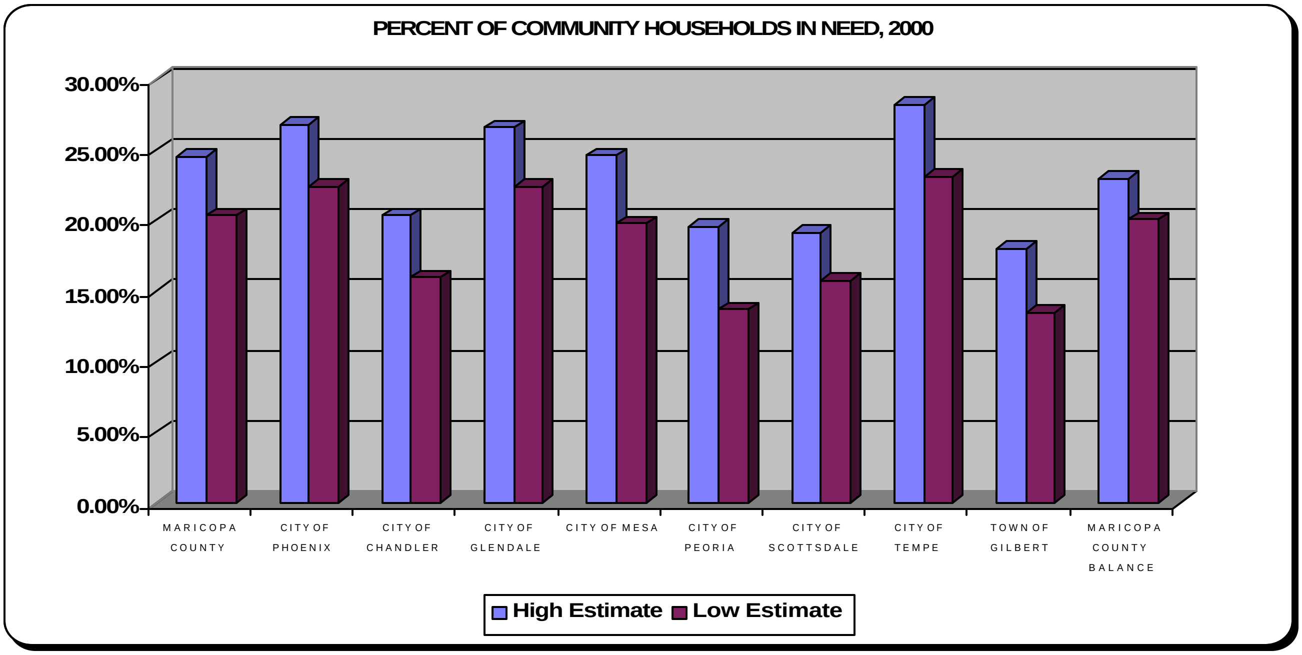
The MAG Regional Affordable Housing Assessment is a component of the Growing Smarter Implementation (GSI) Project. Selected as a top priority by a MAG Planners Working Group, new state law (ARS 9-461.05) calls for the preparation of housing and conservation elements by communities over 50,000 in population. This report offers members a regional perspective on the status of affordable housing and neighborhood revitalization in Maricopa County and advances a regional agenda. It focuses on housing and neighborhood revitalization for low-income households, a large target audience of the new planning statute but not the exclusive one. A companion report entitled, MAG Housing Working Paper, addresses land use planning mechanisms that can be used by local governments to promote a balanced supply of all housing types in terms of numbers and location throughout the region.

The need for affordable housing in the Valley is a byproduct of poverty or derived from a break in the social services 'safety net' that is often, but not always, reflected in the market through a mismatch of housing supply and demand. The affordable housing story is about the ever-present need to address the root causes of poverty, revitalize and conserve our neighborhoods, and help those with nowhere else to turn. It's a story about how helping the less fortunate and strengthening our neighborhoods offers a solid return on investment to the community at large and ultimately comes back to us all. The affordable housing industry touches many kinds of people and examples include: battered women forced out of their homes by domestic violence; female-headed households living in substandard dwellings on the wages of unskilled service workers; 'wanna be' first-time homebuyers with limited credit and down-payment resources angling for a break; and, homeless persons sleeping on the streets and decompensating as we speak. Poor people live in bad neighborhoods. The schools are challenged, the amenities are lacking, the crime is rampant and the code violations abundant. It's no secret; it's been this way for years.

The core issue in providing housing for low-income people is about money and strategically investing available resources to elicit desired results. It's about flexible, new funding for MAG members to supplement scarce resources, as well as enhancing funding reliability and equity for members to chart their own course, launch local initiatives and add more local funds to the mix. It's about preserving the ability of local governments to flexibly implement land use and development regulations/fees in a way that can stimulate priority affordable housing production and arrest neighborhood decay, as well as advance community economic development and redevelopment objectives.

OVERVIEW OF KEY REPORT RESEARCH FINDINGS

- It is estimated that between 235,000 - 284,000 households are currently experiencing housing problems and thus evidencing need, representing from 20 to 24 percent of all households in the Valley. Need by community is presented in the following exhibit.



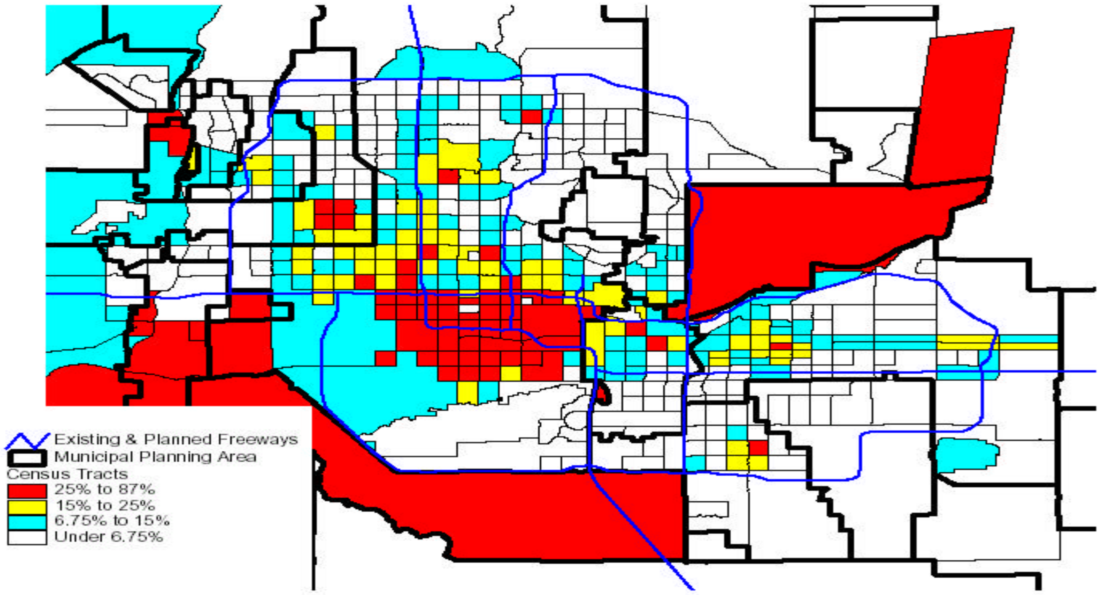
- Dwelling units ‘at risk’ of being substandard in Maricopa County are highlighted below:

  - Up to 42,824 single-family dwellings built between 1955 to 1960 (on average) with a full cash value per square foot ranging from $13 to $38.
  - Up to 16,195 condominium/townhome units with an average construction year of 1974 and full cash value per square foot ranging from $12 to $20.
  - Up to 1,858 multiple-family properties with an average construction year of 1960 and full cash value per square foot at less than $17.
  - Phoenix and Glendale continually indicated the highest incidence of dwellings ‘at risk’ of being substandard within their corporate limits.

- On average, approximately 29% of the county single-family and townhome/condominium housing stock is affordable to persons earning up to 80% of the county median family income. This inventory is heavily concentrated (85%) in Phoenix, Glendale, Mesa and unincorporated Maricopa County.

- Supported by statistical correlations generated by the ASU Center for Business Research, neighborhood distress is spatially depicted on the following Map.

Poverty Rate By Tract, 1995



A major swathe of distress is emerging from southern Glendale running southeast to south and central Phoenix, while pockets of distress were evident in selected central Phoenix neighborhoods and in many other Valley communities, often in close proximity to older downtown areas. Distress was also evident in Phoenix along the I-17 corridor and in limited pockets in North Phoenix.

- The number of Hispanics in Maricopa County grew by 121% from 1990 to 2000. The reasons for the growth of the Hispanic population were: (1) higher fertility rates resulting in accelerated natural increase; (2) an influx of new immigrants from Mexico and other parts of Latin America; and, (3) the in-migration of Latinos from other states lured to Maricopa County. Since Hispanics are twice as likely to be under age 14 than Anglos, there are broad implications for faster growth of the minority population in the future as children move into adulthood and fertility themselves. These factors are reinforced by the much greater percentage of Anglos to constitute the elderly population cohorts.

- According to the Arizona Republic, 'Planning for the changing demographics', "given the Latinos traditional desire to settle near family and friends, housing will need to focus on more infill residential development and affordable housing that accommodate larger families".

- The Immigration and Naturalization Service (INS) estimated that 5 million people were residing in the country illegally in October 1996. An estimated 115,000 were living in Arizona, 2.3 percent of the national total. This figure is growing. Of the total deportable aliens in the U.S., the Tucson Border Patrol sector 's share rose from 6 percent in 1991 and 1992 to 20 percent in 1996 and 1997; the numeric gain was from 60,000 to 300,000.

- Since 1990, the affordability of resale dwellings has remained about the same…households earning the median income can generally afford the median price of dwellings sold in the Valley. Steep increases in home values have generally been counteracted by extensive reductions in mortgage interest rates.

- From 1991 - 2000, rent levels (for projects greater than 100 units in size) have grown by 57% compared with a 26% hike in median income, thereby eroding affordability for renters by about 40%. The removal of major tax advantages to income property under the 1986 U.S. tax act coupled with reductions in borrowing rates have not caused any affordable rental housing production in the Valley that has not been subsidized. Thus, rental rates continue to rise and vacancy rates remain tight. This continues to wreak havoc on lower income consumers, especially the most vulnerable.

- High crime rates, unemployment, low wage rates and household income, incidence of non-conforming land-uses, substandard dwellings/structures and code violations, poor student test scores and lacking public amenities and social support services, etc. are characteristic of conditions in distressed neighborhood areas throughout the Valley.

MAG REGIONAL AGENDA TO AFFORDABLE HOUSING NEED AND NEIGHBORHOOD DISTRESS

Issue 1: Increase The Valley Funding Volume

- ✓ **Explore Authorization of A Valley-wide HousingTrust Fund** – Consider financing the Housing Trust Fund through sources that include but are not limited to: (1) a modest surcharge on all residential building permits issued that is indexed to the value of the permit issued; and/or, (2) a modest fee on all residential deeds recorded during a given year. Allocate such funds through a 'fair-share' formula replete with minimum distress thresholds and emphasis for jurisdictions with high distress.

- ✓ **Alterations to Commercial Governmental Lease Excise Tax** - Raise incentive opportunities available for residential rental properties under ARS 42-6209.

- ✓ **Increase The Private Activity Bond Allocation For Multi-Family Development pursuant to HB 2390**.

- ✓ **Secure Funding For The Arizona Neighborhood Preservation and Improvement Commission**

- ✓ **Community Reinvestment Financing** – In cooperation with the Governor's Office, pursue the enactment of community reinvestment financing aka tax increment financing.

- ✓ **Affirm Non-Profit Tax Exemptions Under State Law**.

- ✓ **Secure Adequate State Funding For The Mental Health and Correctional System**.

✓ **IDA Surplus Revenues** - In concert with IDAs, pursue written agreements that establish public purpose parameters for the investment of IDA surplus revenues. Pursue state statutes as/if needed.

✓ **Secure State Resources For Disabled Homeless**

✓ **Secure State Resources For Prison Inmate Release**

✓ **Emphasize the Commitment of Resources For Expiring HUD Multifamily Inventory**

Issue 2: Foster Member Funding Equity And Reliability

✓ **Ensure The Equitable Geographic Allocation of Existing State Housing Resources Through**:

- ❑ Ensure the equitable allocation of State Housing Trust Fund (HTF) resources for the Valley at a level not less than 60% (population based) of the annual state revenues for all eligible uses authorized under state statute. If deemed appropriate, pursue a 'pass through' allocation of State HTF resources for the Valley.
- ❑ Foster continuing annual Valley allocations of Low Income Housing Tax Credits (LIHTC) at levels not less than 60% (population based) of the annual state total and subject to all local land-use and affordable housing priorities and policies. If deemed appropriate, consider and pursue opportunities with the State concerning regional LIHTC sub-allocations and an increased local role in project processing and project ratings.
- ❑ Continue the investment of State HOME Resources within the MAG region at levels proportionate to statewide need.
- ❑ Work with the State on a continuing basis to ensure the acquisition and usage of all state resources are not overly complicated or prescriptive.

✓ **Sustain Continued Local Administration of All Federal and State Rental Subsidies**

✓ **Continue To Foster A Decentralized Affordable Housing Delivery System** - Support sustained decentralization in the allocation and administration of existing and future federal and state funded affordable housing/community development program resources and tax credits in the region to address locally identified needs and priorities. Work with the Federal and State governments to foster the prudent, 'pass through' of new, federally funded affordable housing or community development resources.

✓ **Phoenix/Glendale Neighborhood Revitalization** – Encourage cooperative endeavors to address neighborhood distress evident in the southwest Valley.

Issue 3: Foster Affordable Housing Barrier Removal

- ✓ **Create A Regional Affordable Housing Information and Referral Service**.

- ✓ **Undertake A Jobs/Housing Balance Fiscal Impact Assessment**

- ✓ **Continue to Implement Land-Use Ordinances, Fee Exemptions, Expedited Development Processing and Aggressive Code Enforcement That Induces Priority Affordable Housing Production and Neighborhood Revitalization Consistent With The Objectives of Local Governing Bodies**

- ✓ **Aggressively Implement The Newly Enacted Arizona Slumlord Statute and Local Neighborhood Improvement Ordinances**

- ✓ **Commit Surplus Local Public Assets For Priority Affordable Housing Production**

CONSEQUENCES OF INACTION

Inaction in addressing neighborhood revitalization and affordable housing need produces the following impacts …..

- *The acceleration of urban decay that becomes increasingly costly and difficult to remedy, and adversely impacts neighborhood by virtue of accelerating crime rates, unemployment, low wage rates and household income, incidence of non-conforming land-uses, substandard dwellings/structures and code violations, poor student test scores and lacking public amenities and social support services, etc.*

- *A competitive disadvantage in business recruitment, retention and creation at the regional and local level given an inadequate supply of affordable dwellings and neighborhood decline.*

- *Major hikes in social service and healthcare costs, as well as the incidence of homelessness in the Valley.*

- *Increasing transportation and environmental costs to mitigate undue imbalances in the jobs to housing ratio throughout the Valley.*

- *Increasing challenges to achieve successful downtown redevelopment given the magnitude of neighborhood decline.*

MARICOPA ASSOCIATION OF GOVERNMENTS (MAG) REGIONAL AFFORDABLE HOUSING ASSESSMENT

1.0 INTRODUCTION

1.1 Purpose

The MAG Regional Affordable Housing Assessment is a component of the Growing Smarter Implementation (GSI) Project. Selected as a top priority by a MAG Planners Working Group, new state law (ARS 9-461.05) calls for the preparation of housing and conservation elements by communities over 50,000 in population. This report offers members a regional perspective on the status of affordable housing and neighborhood revitalization in Maricopa County and advances a regional agenda. It focuses on housing and neighborhood revitalization for low-income households, a large target audience of the new planning statute but not the exclusive one. A companion report entitled, MAG Housing Working Paper, addresses land use planning mechanisms that can be used by local governments to promote a balanced supply of all housing types in terms of numbers and location throughout the region.

1.2 Framework

The need for affordable housing in the Valley is a byproduct of poverty or derived from a break in the social services 'safety net' that is often, but not always, reflected in the market through a mismatch of housing supply and demand. This report addresses the housing needs of poor people, defined as households earning no greater than 80% of the county median family income.

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The affordable housing industry touches many kinds of people and examples include: battered women forced out of their homes by domestic violence; female-headed households living in substandard dwellings on the wages of unskilled service workers; 'wanna be' first-time homebuyers with limited credit and down-payment resources angling for a break; and, homeless persons sleeping on the streets and decompensating as we speak. Poor people live in bad neighborhoods. The schools are challenged, the amenities are lacking, the crime is rampant and the code violations abundant. It's no secret; it's been this way for years.

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1.3 Organization

The MAG Affordable Housing Assessment marshals current and reliable information on the topic in a summary fashion. The report addresses prevailing conditions in the Valley and is not intended to be a detailed research paper.

Key socio-economic trends affecting affordable housing demand (section one) and supply (section two) are presented followed by summary findings of affordable housing need, neighborhood distress and homelessness (section 3). Section 4 of the report embodies an issues assessment of affordable housing and neighborhood revitalization, summarizing key issues and offering a regional agenda. Finally, best practices associated with affordable housing and neighborhood revitalization are provided for informational purposes in the Appendix of the report.

2.0 DEMAND FACTORS

2.1 Economic Base and Labor Force

Overview

Depicted on Table 1 in Appendix 1, annual average non-farm employment in Maricopa County was 1.545 million in 2000. Between 1997 to 2000, all sectors grew with the exception of mining. TCPU and Services grew at annual rates approaching 5.0%, while Construction grew at about 6%/annum given robust residential and commercial/industrial real estate markets. Trade, Fire and Government employment sectors sustained growth rates of between 1.5 to 3.0% per annum over the time period. The Manufacturing sector grew very slightly.

Unemployment in 2000 is estimated at levels under 3.5% for all but the 16-19 age categories, where levels of 7.6% are estimated. Arizona Department of Economic Security (ADES) employment and labor force estimates by ethnicity for 2000 are noted on Table 2 in the Appendix indicated the following trends:

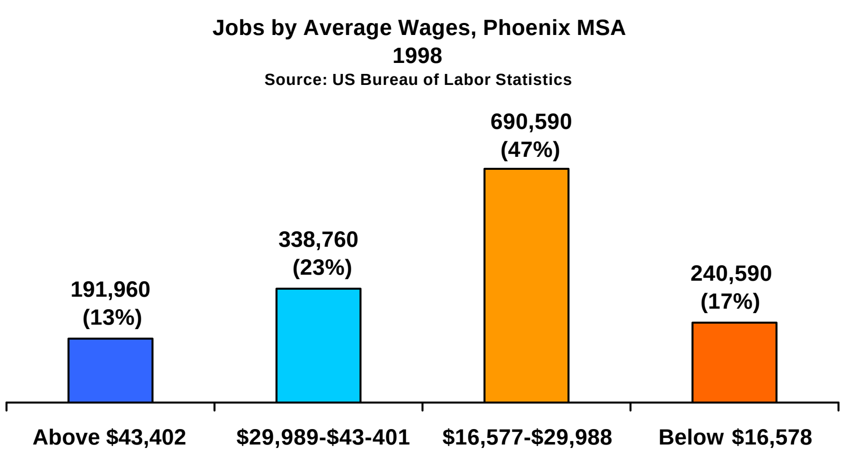
- ☛ *Labor force participation rates for minorities are estimated at about 91% of the Anglo population, indicating general levels of parity of minority participation in and access to the regional labor force.*

- ☛ *Unemployment rates for minorities in 2000 are projected at almost twice the level for non-minorities.*

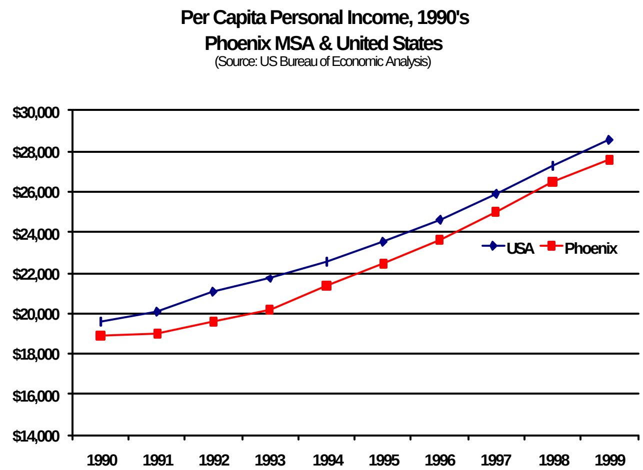
- ☛ *Despite higher unemployment rates projected for minorities as whole in 2000, rates in the County are running at 20-year lows, with the combined unemployment rate for minorities estimated at 4.02%.*

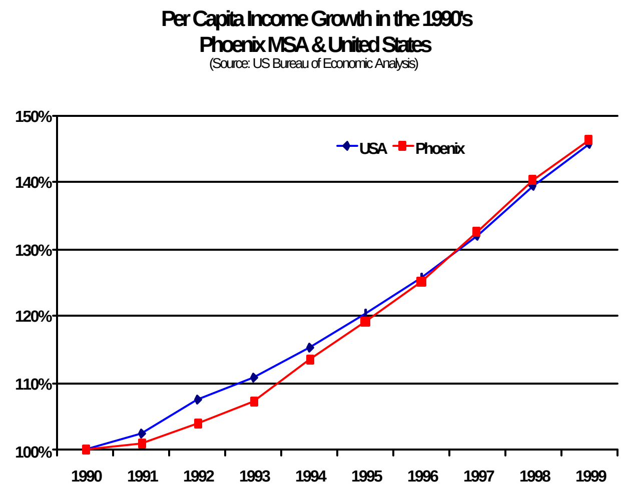
Quality of Jobs Created

Prepared by MAG, the following chart shows the distribution of occupations by average salary in the Phoenix MSA in 1998, as reported by the US Bureau of Labor Statistics. These are statistically valid groupings. In 1998, the average salary in the MSA was $29,888**. Only 36% of occupations in Greater Phoenix have wages above the metro average, while 17% earn less than $16,578 annually.**



Though the Phoenix economy produces more below-average occupations in terms of salaries, this is not necessarily unique. The next two charts show per capita income – mainly produced by salaried jobs – in Greater Phoenix and the nation during the 1990's. For the entire decade, per capita incomes in Phoenix have been consistently below the nation. The gap has been between $500 to $1,000. The region improved during the 1990's since the *growth rate* of per capita income in Phoenix and the nation has been nearly identical. In fact, in 1999, both grew exactly 46% over the decade.





Greater Phoenix has a fast-growing economy that matches its population growth, but the economy produces more below average occupations than above average. This reinforces the need for sustained affordable housing production. While the region lags the nation in terms of per-capita income, the gap is beginning to narrow and the region's rate of personal income growth is more like the rest of the country. The wage disparity produced by the metro economy is not much different than the nation as a whole.

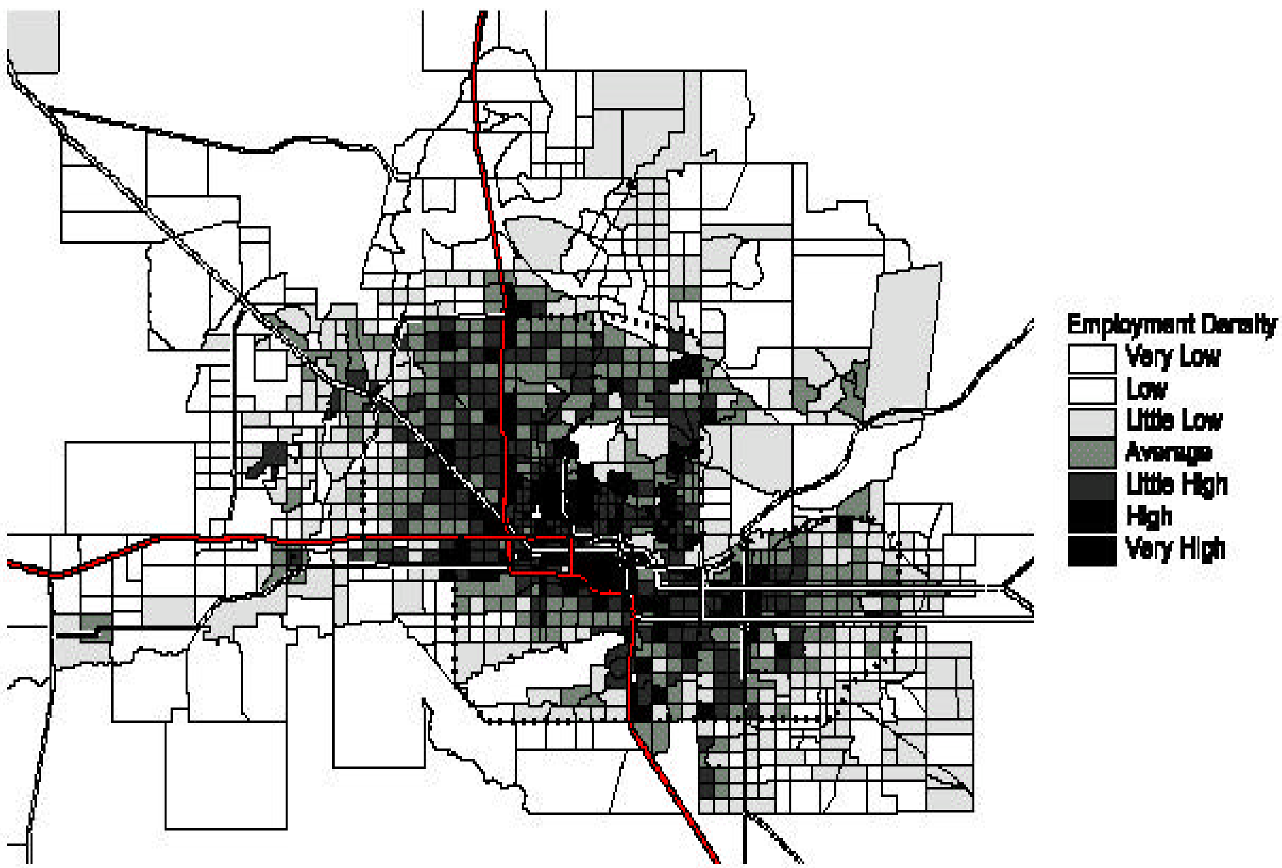
Spatial Distribution of Employment

According to the ASU Bureau of Business Research, midtown Phoenix and Downtown Phoenix (including the state capital) formed the primary employment core of Metro Phoenix in 1995. This primary core had significant employment, high employment density, and an employment-to-population ratio that was three times the county average. While the primary core made up only 1.0 percent of the MAG planning area it accounted for 11.2 percent of the metro employment and 3.6 percent of the population. A secondary employment core contiguous to the primary core stretched southeast from the primary core to Downtown Tempe, extending south in Tempe and north through Downtown Scottsdale. The only other area meeting the specifications of the secondary core was the Metrocenter Area of Phoenix, to the northwest of the primary core. The secondary core had much lower employment density than the primary core, but the density was high compared to the rest of Metropolitan Phoenix. Employment per 1,000 residents was twice the county average.

The primary and secondary cores combined (including Metrocenter) accounted for 32 percent of the metro employment, 13 percent of its population and just 4 percent of the land in MAG's planning area. The primary-secondary core was surrounded by a tertiary core and a near-tertiary area that had above average employment densities and at least average employment-to-population ratios.

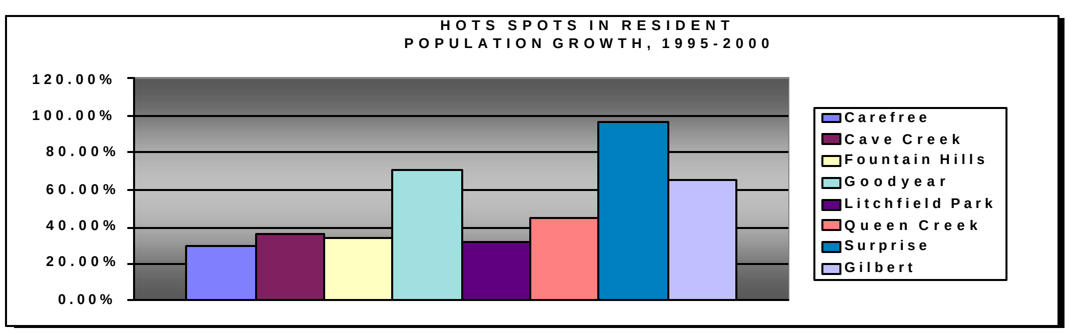
Indicated on the following Map, general, employment was most concentrated in the center of the urbanized area and progressively became less dense with distance from the center. The major employment-poor areas were in south Phoenix west of Central Avenue and south of South Mountain (the Ahwatukee –Foothills area). In addition, the fringe of the urban area on the west and north formed a nearly continuous employment-poor area.

EMPLOYMENT DENSITY IN METROPOLITAN PHOENIX, 1995
Employment per Square Mile



2.2 Population, Household and Job Growth

The population in Maricopa County has risen from 2.55 million in 1995 to 3.07 million persons by 2000. This represents an annual average increase of about 4.0%. In 2000, annual net in-migration accounted for over 68% of population growth. This is expected to continue in the near term. Fueled by net in-migration and rapid employment growth, Maricopa County includes many of the fastest growing communities in Arizona since 1995, as highlighted below:



According to MAG projections, rapid population and employment growth is anticipated to be sustained in Maricopa County, often escalating in the peripheral areas of the region as a result of the availability and/or price of land and freeway construction offering enhanced accessibility.

The ASU Bureau of Economic Research indicates that despite experiencing an overall decline in employment between 1990 and 1995, the primary core gained employment in the FIRE, services and public administration industries at a pace roughly equal to that of the county. With employment declines in all other industries, the industrial mix in the primary core shifted considerably. Relative to the entire county, gains in the secondary core were strongest in wholesale trade and TCPU and weakest in public administration. In the tertiary core, gains were especially strong in services, which accounted for more than 60 percent of the job growth. Retail trade job gains were slight. The near-tertiary area had relatively strong gains in construction and wholesale trade. Manufacturing and TCPU employment decreased. In outlying areas, retail trade and manufacturing led the growth.

Often comprised of workers in need of affordable housing, the services industry accounted for nearly one-half of Maricopa County's job growth between 1990 and 1995. As in all industries, the numeric and percentage gain was greatest in outlying areas, though the differential was relatively less in services. By RAZ, the greatest gains in services employment were in Midtown Phoenix; East Phoenix from Thomas Road to Camelback Road; Central Tempe; and Downtown and West Tempe. Also an industry characterized by lower wage rates, retail trade provided the second largest numeric employment increase, though its percent change was only average. The largest gains were clustered in the Ahwatukee – Foothills, South Tempe, and North Chandler RAZs and in some RAZs with a major shopping mall. Retail employment declined from Midtown Phoenix south through South Central Phoenix.

2.3 Net In-Migration and Illegal Immigration

According to the ASU Center For Business Research, net in-migration to Maricopa County slowed during 2000,with revised estimates of 11,000 per quarter for the first three quarters of the year, the least since 1992. While housing construction remains strong, rising vacancy rates point to reduced population growth. The population of Maricopa County rose 18,000 during third quarter 2000,matching the lowest quarterly rise since 1992. From third quarter 1999 through third quarter 2000, Maricopa County 's population rose 75,000 (2.6 percent). While net in-migration was responsible for most of the gain, net natural increase (the difference between births and deaths) reached an annual level of 30,000 in Maricopa County.

In 1997, the Phoenix-Mesa Metropolitan Area ranked 33rd among metropolitan areas (compared to a population rank of 14th) in the number of immigrants (just more than 5,000). A little less than half came from Mexico. Five countries each accounted for between 2 and 5 percent of the total: Canada, the Philippines, China, India and Vietnam.

According to the ASU Center For Business Research, the number of illegal immigrants entering the United States is unknown. The U.S. Immigration and Naturalization Service (INS) estimated that 5 million people were residing in the country illegally in October 1996. A little more than half were from Mexico. Forty percent of the total were living in California, with significant numbers in Texas, New York, Florida and Illinois. An estimated 115,000 were living in Arizona, 2.3 percent of the national total. The state ranked seventh.

These 115,000 people represented 2.5 percent of Arizona 's residents in 1996. The proportion was higher in just four states: California, District of Columbia, Texas and New York. Only eight states had a figure greater than the national average of 1.9 percent.

Arizona, New Mexico and Texas were the only states in which illegal residents were disproportionately large compared to legal immigration. More than 95 percent of the illegal entrants (deportable aliens) to the United States that are located by the Border Patrol pass through the U.S.-Mexico border. The number in the Southwest rose gradually through the 1990s. However, major differences occurred by Border Patrol sector. In 1991, one-half of the deportable aliens were located in the San Diego sector; this sector 's share in 1997 was down to 21 percent. The El Paso sector also experienced a sharp drop off, with its share falling from more than 20 percent to less than 10 percent. In contrast, the Tucson sector 's share rose from 6 percent in 1991 and 1992 to 20 percent in 1996 and 1997; the numeric gain was from 60,000 to 300,000. Most of the other Border Patrol sectors also had an increasing share. However, the Yuma sector 's share held steady at about 2 percent.

2.4 Household Income and Poverty

Median income in 1995 for Maricopa County was $35,600 and is projected to rise to about $41,000 in CY 2000 based on sustained increases in the Consumer Price Index (CPI). A review of the 1995 median family income by census tract by political jurisdiction indicated the following general trends:

- extensive growth in portions of communities like Peoria, Gilbert, Chandler, Scottsdale, Avondale and Surprise has increased median family income. Such trends are likely to continue and encompass an increasing number of jurisdictions in the region. Despite rapid growth and increases in household income, such jurisdictions include specific neighborhoods comprised of lower income households in distress.

- median family income in the more rural, unincorporated areas (excluding the large retirement areas of Sun Lakes, Sun City and Sun City West) of Maricopa County continue to lag their urbanized counterparts. However, such regions are diminishing as urbanized Maricopa County continues to rapidly expand.

- while experiencing both growth and/or infill, the urbanized regions of Phoenix, Mesa, Glendale and Tempe have benefited from increases in household income yet are beset by significant neighborhoods in distress comprised of and lower income households.

- in some infill regions, the median income in certain census tracts actually declined or remained the same from 1990 to 1995, evidencing severe neighborhood distress.

A comparison of the distribution of median family income between the 1990 census and the 1995 special census indicated no major percentage change in the proportion of low income households in Maricopa County, as evidenced below:

- ✓ *the percentage of households earning less than 30% Median Family Income (MFI) countywide has dropped from 9.6% in '90 to an estimated 8.7% in '95.*

- ✓ *the percentage of households earning from 31 to 50% MFI countywide has risen from 9.9% in '90 to an estimated 11.3% in '95.*

- ✓ *the percentage of households earning from 51 to 80% MFI countywide has dropped from 16.6% in '90 to an estimated 15.8% in '95.*

- ✓ *accordingly, the percentage of households earning from 0 to 80% MFI countywide has remained the same at about 36% in '90 and '95.*

Poverty rates are calculated as the percentage of persons living under the poverty level, an income that varies by household size and is adjusted annually by the inflation rate. According to ASU, poverty rates of 20 to 39.9 percent are considered to be high, and those of 40 percent or more are extreme. The national poverty rate was 13.7 percent in 1969, 12.4 percent in 1979 and 13.1 percent in 1989. (Income and poverty in decennial censuses are reported for the calendar year prior to the census date.) Thus, the standard break at 20 percent represents a poverty rate about 50 percent higher than average. Poverty rates in the Phoenix metro area (11.9 percent in 1969, 10.5 percent in 1979 and 12.3 percent in 1989) have been lower than the national rate, though the difference narrowed in 1989. Poverty rates in metropolitan areas generally are lower than those in rural areas. Poverty rates vary with the economic cycle. Fortunately, 1969, 1979 and 1989 are directly comparable in that each year represents the end of a period of economic expansion – recessions began in December 1969, January 1980 and March 1990. Thus, the poverty rate unaffected by the economic cycle fell a little in the 1970s but increased a little in the 1980s. At the census tract level at which this analysis was done, the standard error of the poverty rate estimate is quite large.

The geographic extent of high poverty has expanded over time in the Phoenix metropolitan area at a pace equal to the area's overall growth. This is indicated below derived from the ASU Bureau of Business Research.

PERCENTAGE OF THE PHOENIX METROPOLITAN AREA IN CENSUS TRACTS WITH HIGH POVERTY RATES, 1969-89

	Extreme Poverty (At Least 40 Percent)			High Poverty (20 to 40 Percent)			Total (20 Percent or More)		
	Number of Tracts	*Persons in Poverty*	*Total Persons*	*Number of Tracts*	*Persons in Poverty*	*Total Persons*	*Number of Tracts*	*Persons in Poverty*	*Total Persons*
1969...........	5.6%	1.8%	4.2%	13.3%	3.5%	12.4%	18.9%	5.3%	16.7%
1979...........	3.8	1.3	2.9	10.1	2.3	8.4	13.9	3.6	11.3
1989...........	4.9	1.7	3.7	14.2	3.8	13.8	19.1	5.5	17.5

An extensive area of high poverty covers most of Central and South Phoenix. This cluster of poverty included nearly all of the city of Phoenix south of McDowell Road, and extended north of McDowell in portions of west and east Phoenix. Several localized clusters of high poverty, separate from the Central-South Phoenix cluster, were scattered across Maricopa County. Clusters were found in the downtown portions of Chandler, Glendale and Mesa, a portion of Sunnyslope, and much of the far west side of the Valley, including El Mirage-Surprise, Goodyear-Avondale, and the rural western part of Maricopa County. Guadalupe and two Indian Reservations also experienced high poverty.

The geographic distribution of poverty rates within the Phoenix metro area through 1990 is presented on Map 1 enclosed. Map 2 enclosed indicates that the spatial distribution of poverty in 1995 did not change from 1990. According to ASU, median rent and the median value of owned housing were highly correlated to poverty rates. The most affluent neighborhoods ("favored quarters"..refer to Map 1) in essence are the opposite of poverty clusters. They are defined by low poverty rates, high household incomes and high home values.

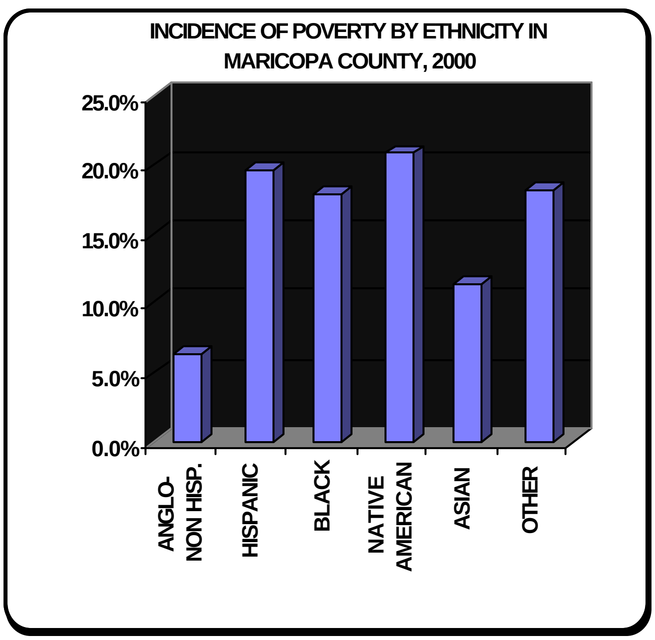
HIGH-POVERTY CLUSTERS IN METROPOLITAN PHOENIX IN 1989

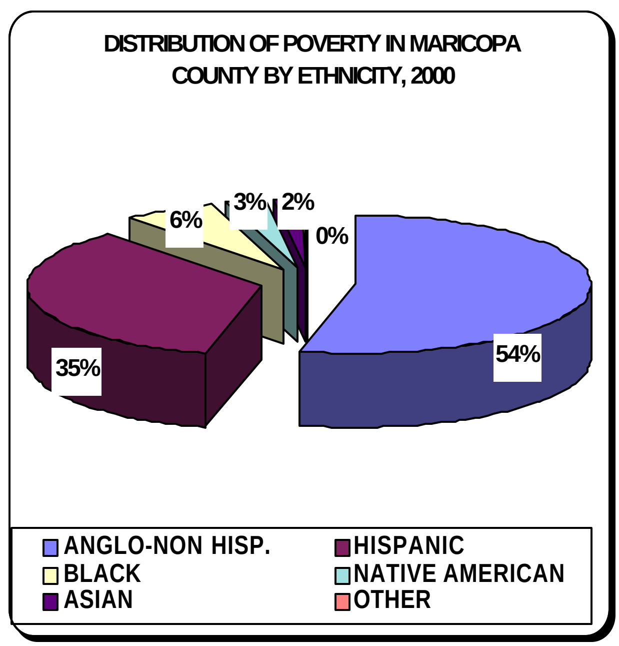
	Number of High-Poverty Tracts in 1989 by Poverty Rate				Median Change in Poverty Rate	
	20-29.9 Percent	*30-39.9 Percent*	*40-49.9 Percent*	*50 + Percent*	*1969-79*	*1979-89*
Central-South Phoenix	22	12	8	10	4	11
Salt River to McDowell	2	6	6	9	5	12
South of the River	7	4	2	1	3	6
East Van Buren	1	2	0	0	4	15
Northwest	8	0	0	0	3	11
Northeast	4	0	0	0	3	9
Downtown Chandler	0	3	0	0	NA	NA
Mesa	4	0	0	0	NA	5
Downtown Tempe	2	1	1	1	10	8
Guadalupe	0	0	1	0	-10	-1
North Phoenix	3	0	0	0	1	12
Downtown Glendale	1	3	0	0	3	11
El Mirage-Surprise	2	2	1	0	-1	-1
Avondale-Goodyear	6	1	0	0	-2	2
Western Maricopa County	3	0	0	0	-10	6

NA: not available due to changes in census tract geography

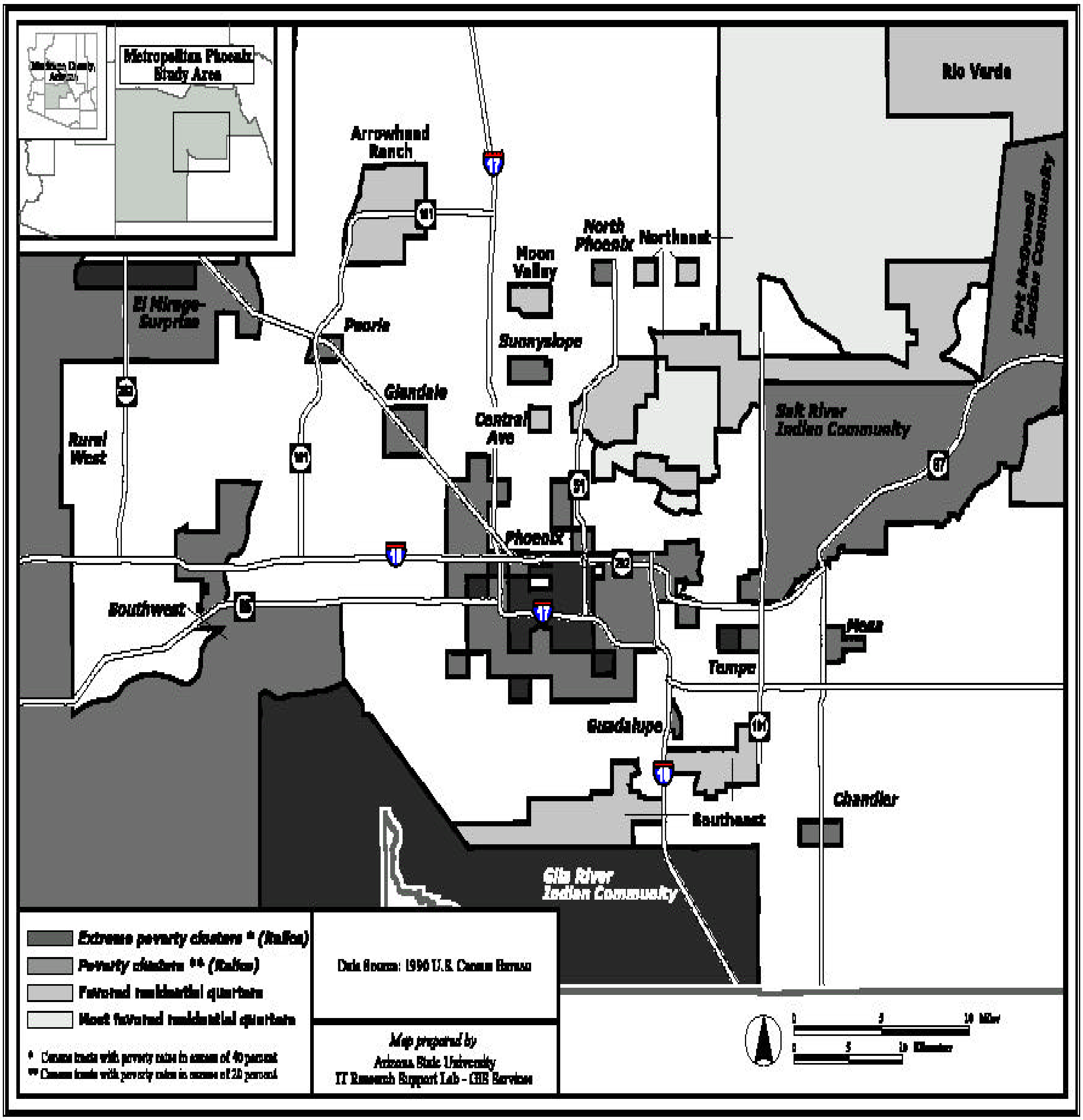
Reflected on Table 3 in Appendix 1, ADES estimates that 267,392 persons or 9.1% of the County population met the federal definition of poverty in 2000. Like the rest of the nation, poverty levels in the County are declining slightly, the result of growing household income.

According to current ADES poverty projections (refer to Table 3), the incidence of poverty among minority households (19%) is three times higher than for non-minorities (6.4%). In sheer numbers, non-minorities comprise over 54% of the number of persons in poverty. The incidence of poverty by ethnicity is indicated in the following Table.

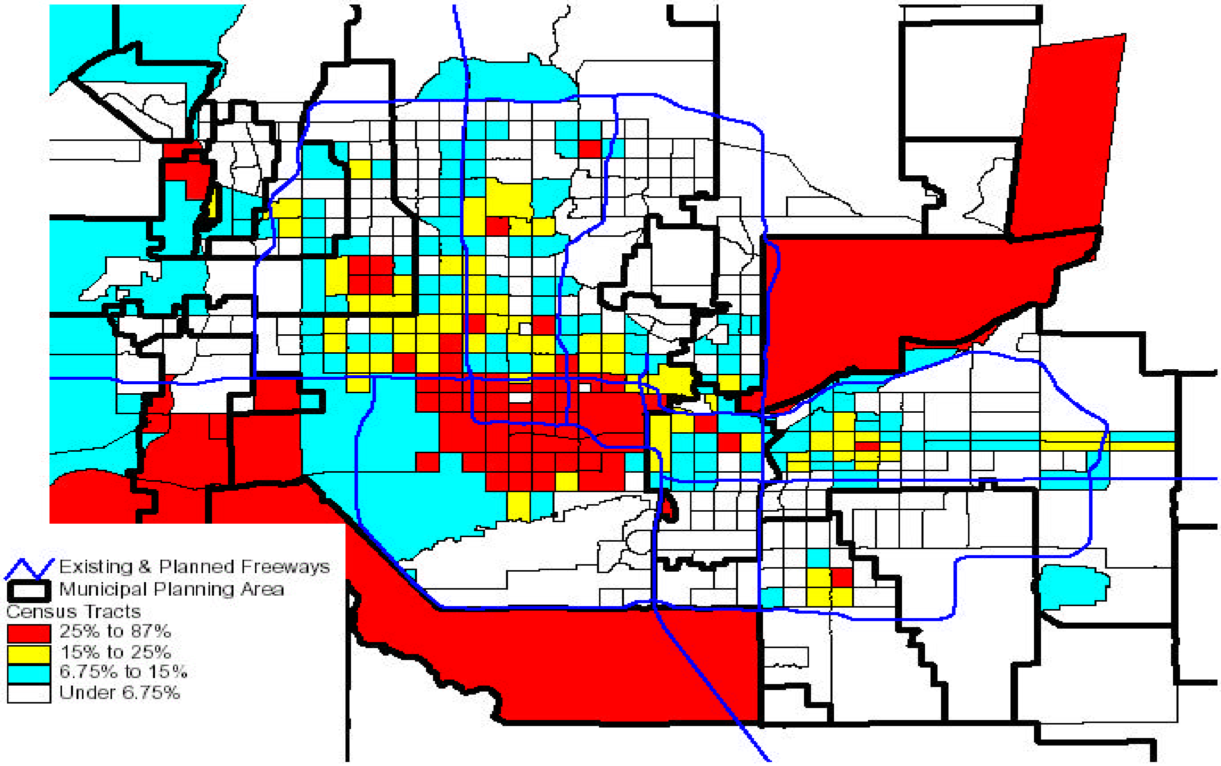




MAP 1
MARICOPA COUNTY POVERTY AND
FAVORED RESIDENTIAL CLUSTERS, 1990
(Source: ASU Center For Business Research)



MAP 2: Estimated Poverty Rate By Tract, 1995



2.5 Minority Concentrations

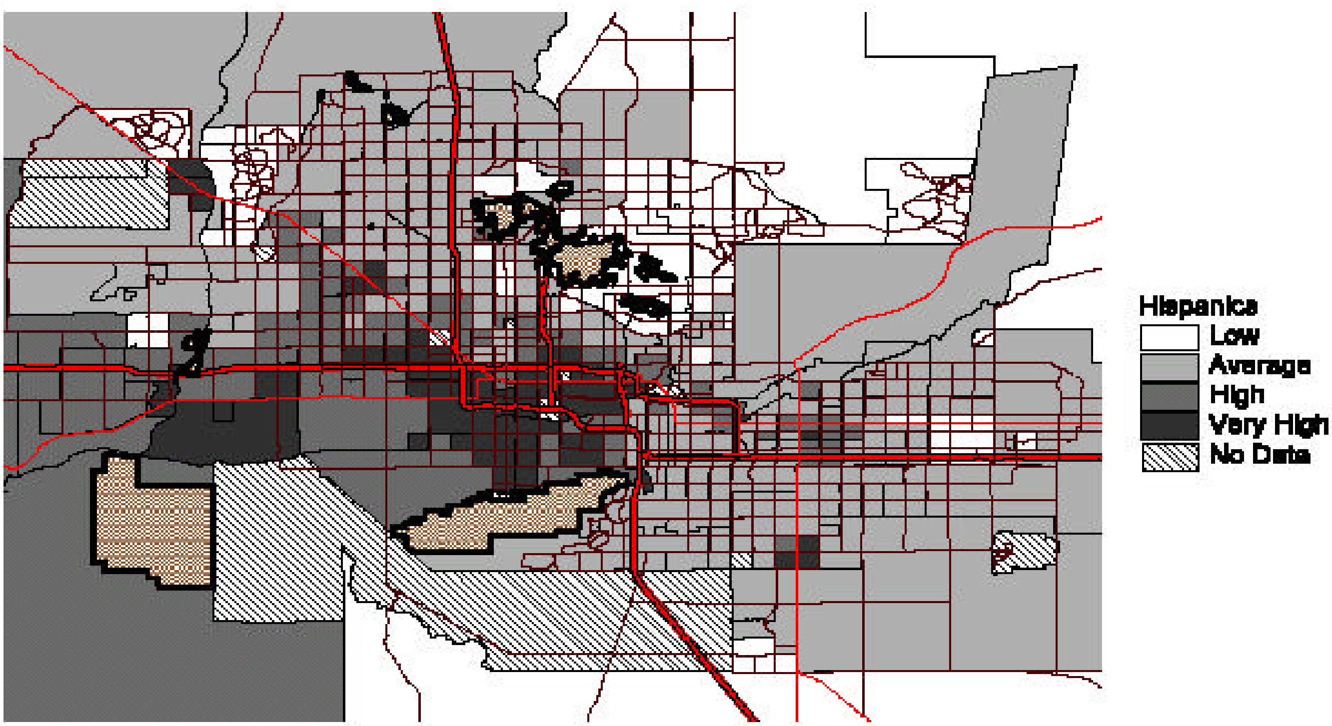
According to the ASU Center For Business Research, the non-Hispanic white proportion of the metro population has been declining at an accelerating pace since 1970. Almost all of the shift from the white population has been to Hispanics. Increases in population share have been modest among other minority groups. In 1970, minority proportions were much higher in the poverty clusters. Hispanics made up more than one-half of the population in the small poverty clusters and in the core of the Central-South Phoenix poverty cluster (and more than 25 percent in the rest of the cluster). Since then, the population has become increasingly Hispanic in almost all of the Central-South Phoenix poverty cluster. Both black and white proportions have been decreasing, with blacks moving particularly to the northwest, north of the growing expanse of high poverty in that direction. (The highest concentration of blacks, however, remains in the poverty cluster.) The small Asian population share in the poverty cluster also decreased after 1980 to below the metro average. The small Native American share has held largely steady in the poverty cluster at about the average for the metro area. Within the Central-South Phoenix poverty cluster, a few tracts remain largely black and a few tracts continue to have a moderate proportion of non-Hispanic whites.

The ASU Center For Business Research indicates that Hispanic proportions have been highest in the poverty clusters and have climbed the most in the northeast and northwest extensions of the Central-South Phoenix poverty cluster and in some of the smaller poverty clusters. Few Hispanics lived in retirement communities or in the northeast favored cluster, with declining proportions where the urban fringe spread onto agricultural lands. By census tract, the proportion of Hispanics in 1970, 1980 and 1990 was very strongly correlated to low educational attainment, high poverty, few working in white collar occupations (a correlation becoming stronger over time), and a high percentage of households with minor children headed by females (also a rising correlation). Hispanics have been highly correlated to low incomes, low rents, high unemployment, high average household size (a strengthening correlation), and employment in the agriculture industry. According to the Arizona Republic, 'Planning for the changing demographics', "given the Latinos traditional desire to settle near family and friends, housing will need to focus on more infill residential development and affordable housing that accommodate larger families".

The highest proportions of non-Hispanic whites in 1995 were in the favored quarter. In the northeast quadrant's favored quarter, the racial/ethnic composition changed little between 1970 and 1995, except that the small Asian proportion shifted from below to a little above average. East Mesa and the northern portion of the Valley, especially the Sun City area, also had high proportions of non-Hispanic whites in 1995.

Preliminary information from the 2000 Census indicates that number of Hispanics in Maricopa County grew by 121% from 1990 to 2000. This growth has increased the proportion of the total population that is Hispanic from 20.5% in 1995 to 24.8% in 2000. The reasons for the growth of the Hispanic population are: (1) higher fertility rates resulting in accelerated natural increase; (2) an influx of new immigrants from Mexico and other parts of Latin America; and, (3) the in-migration of Latinos from other states lured to Maricopa County. Since Hispanics are twice as likely to be under age 14 than Anglos, there are broad implications for faster growth of the minority population in the future as children move into adulthood and fertility themselves. This factor will be reinforced by the much greater percentage of Anglos to constitute the elderly cohorts.

Hispanics In Metropolitan Phoenix, 1995
Percentage Of Total Population
Source: ASU Center For Business Research



2.6 Other Demographic Considerations

Household Size

As in the rest of the nation, average household size has decreased significantly over time in the Phoenix metropolitan area, though decreases nearly ceased in the 1990s. The average number of persons per household was 2.62 in Maricopa County in 1995 and 2.67 in 2000.

Large household sizes can indicate a high incidence of poverty, but not in all cases. The highest incidence of household sizes were in neighborhoods with many young families, scattered across the Valley. Household size was above average in much of the Central-South Phoenix poverty cluster, but a little below average in some parts. Similarly, household size varied in the favored quarter, generally being below average, but with some parts being above average. Average household size in the favored quarter had been above average in 1970 and 1980, but has shifted lower in part as a result of the population aging in place.

Female Headed-Households

The proportion of female-headed households with children was highest in high-poverty areas, with the percentage exceeding 20 percent in some tracts, compared to a county figure of 6 percent. The percentage ranged from low to average across the favored quarters in 1990, with the lowest figures in the favored quarters and in retirement areas. The correlations of female-headed households with children to several variables have strengthened over time. In 1990, this status was very strongly correlated to high poverty and high unemployment. Strong correlations existed with blue-collar work, low incomes, low rents and low house values.

Educational Attainment

In 1990 in Maricopa County, 18 percent of adults age 25 or older had not earned a high school diploma. In most census tracts in high-poverty areas, however, this percentage exceeded 40 percent. In contrast, percentages were less than 5 across much of the favored quarters. Twenty-two percent of the adults in the county had earned at least a bachelor's degree in 1990. The figure exceeded 40 percent in the northeast and southeast favored quarters, in most of the rest of Scottsdale and Tempe, and in scattered areas in the Northwest Valley. In contrast, much of the poverty clusters had percentages of less than 5. High educational attainment has been very strongly correlated to high home values, incomes and white-collar occupations and strongly correlated to high rents, low unemployment, low poverty and few female-headed households.

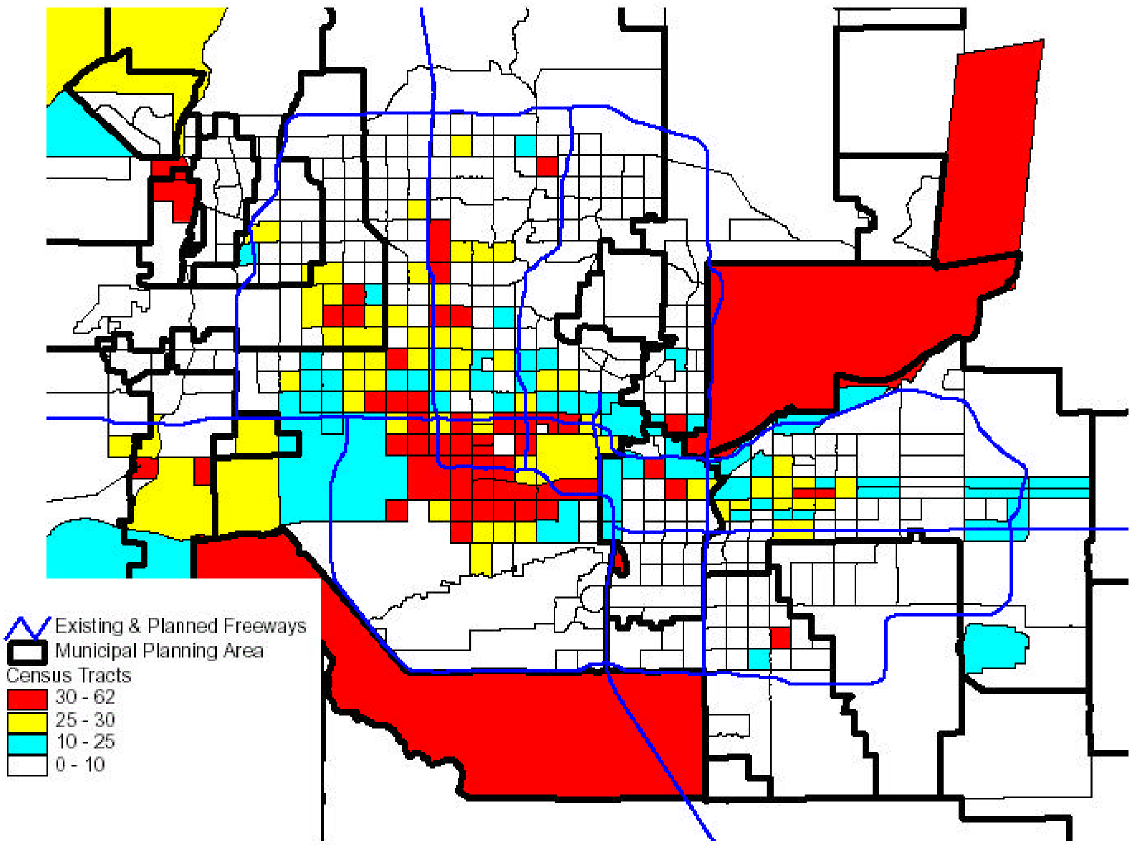
Income and Employment

In 1990, 62 percent of those Maricopa County residents 16 or older were employed. The proportion of the 16+ population that worked was somewhat below average in the poverty clusters, with a few tracts having a figure less than 45 percent. The proportion was somewhat above average in most of the northeast quadrant's favored quarter. The figure exceeded 80 percent in much of the Southeast Valley, including the secondary favored quarter, and in a little of the Northwest Valley. Those living in poverty/with little education were less likely to be employed in higher-paying white-collar occupations, particularly in the FIRE (finance, insurance and real estate) industry, but were more likely to be employed in the low-paying agriculture industry. The proportion of white-collar jobs was high in the favored quarters.

The unemployment rate was above average in the poverty clusters, with a high rate in much of the Central-South Phoenix cluster. In the favored quarter on Map 1, few were unemployed. More generally, much of the southeast and northwest quadrants also enjoyed low unemployment rates. Median household income in 1989 was $30,800 in Maricopa County. In most of the poverty clusters, the median was less than $18,000, but it exceeded $50,000 in the favored quarters.

Map 3 shows the pattern of 'at-risk of poverty' households by Census Tract in 1995. Those households 'at-risk of poverty' are struggling to make it in the Valley economy. The "at-risk" index provides a relative measure of census tracts comprised of households who are below age 65 and above poverty standards but struggling because they are either not working, or are working for a very low wage and forced to live with two or more other working adults.

Map 3: At-Risk Population Index, 1995



3.0 SUPPLY FACTORS

3.1 Housing Inventory and Tenure

Depicted on Table 4 in Appendix 1, the 1995 special census indicated an inventory of approximately 955,454 occupied dwelling units in Maricopa County. Of these units, about 61% were single-family detached dwellings, 7% were townhouse/condominium structures, and 27% multi-family units and 5% were comprised of mobile home/trailers. Of the total occupied units, about 65% were owner-occupied while 35% were comprised of renters.

As expected, owner-occupied units were comprised mostly (90%) of single-family detached or townhouse/condominium dwellings, with mobile homes/trailers accounting for 7% of the inventory. For renter-occupied units, multi-family complexes accounted for 71% of the rental stock, with single-family dwellings at 21%, townhouse/condominiums at 6% and mobile homes/trailers at 2% countywide. Very significant deviations exist within the large market area of relative to the composition of the stock, as indicated below and presented on Table 4:

- **Urban Core** - Comprised of the urbanized portions of both the west and east valley and the City of Phoenix, the inventory distribution is very similar to the county as a whole. Most occupied units (61%) are single family detached, 7% were townhouse/condominiums, 29% were multi-family with over 2 units/structure, and 4% were comprised of mobile home/trailers. About 63% of the urban core units in 1995 were comprised of owner-occupied units and 37% were comprised of rentals.

- **Unincorporated County (excluding retirement communities)** - The stock in the unincorporated county is much different than than elsewhere in the region. Evidenced in Table 4, while 69% of the total stock was comprised of single-family detached units, about 23% of all units in the region were comprised of mobile home/trailers (three times the proportion evident in the urbanized areas of the region. As expected, townhomes/condominiums and multi-family accounted for only 3% and 6% of the unincorporated County inventory, respectively.

- **Unincorporated Retirement Areas** - The stock in the unincorporated retirement areas is primarily comprised (77%) of single-family detached units, 19% townhome condominium and only 4% multiple family dwellings. As expected, the areas is mostly (93%) comprised of owner and 7% rental units.

- **Smaller Communities** – Of the 66,663 estimated inventory of smaller communities (under 50,000 in population in 1990) in 1995, 78% were comprised of owner- and 22% of renter- occupied units. Most owners resided in either single-family detached or mobile home/trailers, while the limited volume of rental units (10%) were comprised of single-family detached (37%), multi-family projects with more than 2 units/structure (38%) and mobile homes/trailers (15%).

3.2 Housing Quality and Age

Uniform and current information on housing quality does not currently exist within Maricopa County. It is a major deficiency in effectively addressing the affordable housing problem. As a result, the following indicators are used to gauge housing quality:

1) Survey results undertaken in 1993 by the Maricopa County Data Center; and,
2) Original research and information derived from the 2000 Maricopa County Assessor roles.

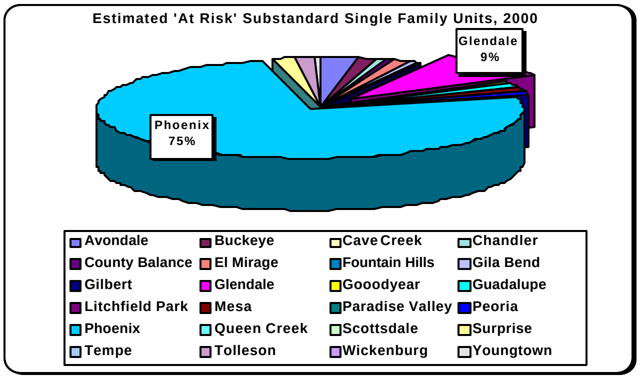
The results of a survey performed in 1993 by the Maricopa County Survey Data Center revealed that 13 percent of households reported that their housing was in need of major repairs. Of these 13 percent, 48 percent required roofing, 16% were in need of plumbing, 12 percent needed painting, and 24 percent reported a variety of other needs including windows, electrical work, etc.

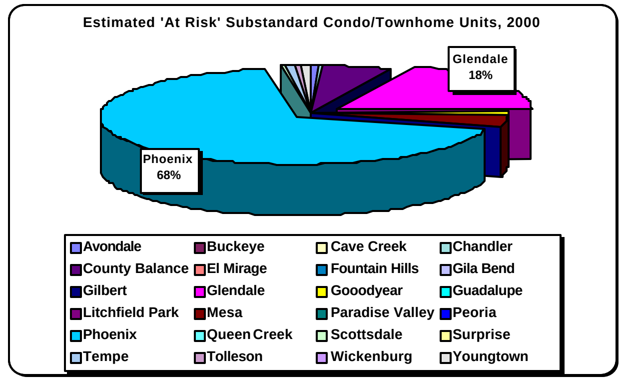
While the Maricopa County assessor roles include a variety of information needed to establish property tax valuations, some of this data can be used to identify those dwellings “at risk of being in a substandard condition”. Toward this end, the following data variables were analyzed and findings returned for the 710,100 single family and 129,034 townhome/condominium parcels reviewed from the CY 2000 tax rolls:

a) The age of the structure, property use code, physical condition, valuation per square foot and construction quality were analyzed as to their reliability as predictors of housing quality. Statistical procedures employed pointed to valuation per square foot as the most salient predictor of housing quality. Valuation is defined as the Full Cash Value (FCV) per square foot.
b) According to statistical averages and standard deviations employed, units ‘at risk’ of being in a substandard condition were defined as falling below a $43 FCV/sq. ft. for single-family dwellings and $40 for townhome/condominiums. As a result, it is estimated that:
   - ☛ Up to **42,824 single-family units are ‘at risk of being substandard’** in Maricopa County, with the average age these units falling between 1955 to 1960 and the average FVC value per square foot ranging from $13 to $38.
   - ☛ Up to **16,195 condominium/townhome units are ‘at risk of being substandard’** in Maricopa County, with the average construction year of these units at 1974 and the average FCV value per square foot ranging from $12 to $20.

	SINGLE FAMILY		CONDO/TOWNHOMES		MULTIPLE FAMILY	
JURISDICTION	AT RISK PARCELS	AVERAGE AGE	AT RISK PARCELS	AVERAGE AGE	AT RISK PARCELS	AVERAGE AGE
Avondale	1,205	1954	74	1984	16	1953
Buckeye	576	1951			25	1947
Cave Creek	3	1965			2	1971
Chandler	354	1946	60	1975	37	1951
County Balance	191	1967	921	1967	11	1944
El Mirage	604	1960			17	1955
Fountain Hills	1	1998	1	1976		
Gila Bend	282	1958			2	1906
Gilbert	109	1946			14	1961
Glendale	3,754	1958	2,885	1977	107	1974
Gooodyear	203	1950	108	1979		
Guadalupe	720	1952			66	1979
Litchfield Park	6	1999	41	1967		
Mesa	655	1951	648	1975	106	1954
Paradise Valley	1	1953				
Peoria	321	1954	3	1973	7	1956
Phoenix	31,879	1955	10,952	1974	1,448	1956
Queen Creek	8	1963				
Scottsdale	9	1967	60	1964	48	1958
Surprise	620	1960			30	1956
Tempe	102	1958	130	1970	131	1960
Tolleson	490	1952	76	1985	2	1931
Wickenburg	21	1942			37	1950
Youngtown	268	1959	137	1973		
TOTAL	42,382		16,096		2,106	

Refer to Exhibits 1-3 in the Appendix for the distribution of 'at risk' substandard, single-family and condo/townhomes dwelling units throughout the Valley. In terms of Municipal Planning Areas (MPAs), consider the following information concerning the distribution and number of 'at risk' single-family and townhome/condo dwelling units.



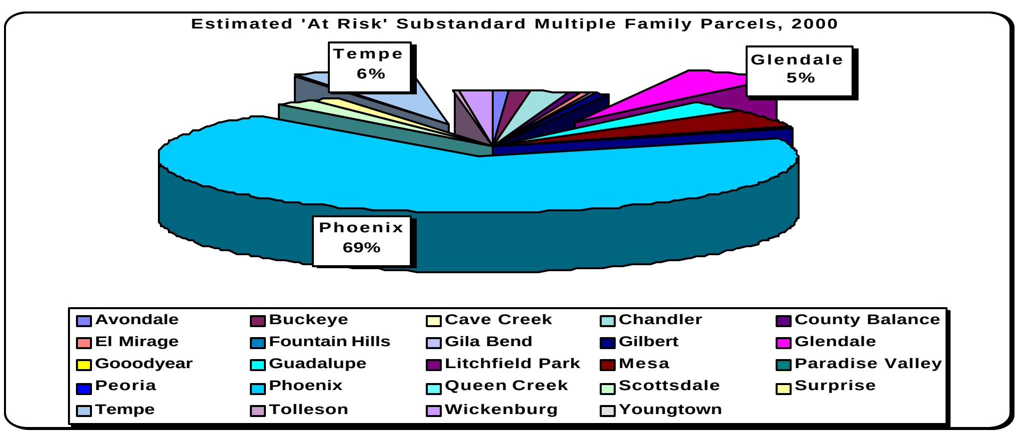


For multi-family development, the assessor roles were also used to estimate housing quality. The following data variables were analyzed and findings returned for the 38,019 parcels (not units) reviewed:

a) The age of the structure, property use code, physical condition, obsolescence and valuation per square foot were analyzed as to their reliability as predictors of housing quality. Statistical procedures employed pointed to valuation (FCV) per square foot as the primary predictor and physical condition and obsolescence as secondary factors.

b) According to statistical averages and standard deviations employed, multiple-family parcels 'at risk' of being in a substandard condition were defined as falling below a $17 FCV/sq. ft. Refer to Exhibit 1 and 4 in Appendix 1 for the spatial distribution of 'at risk' multiple-family units. The following characteristics of such properties were evident:

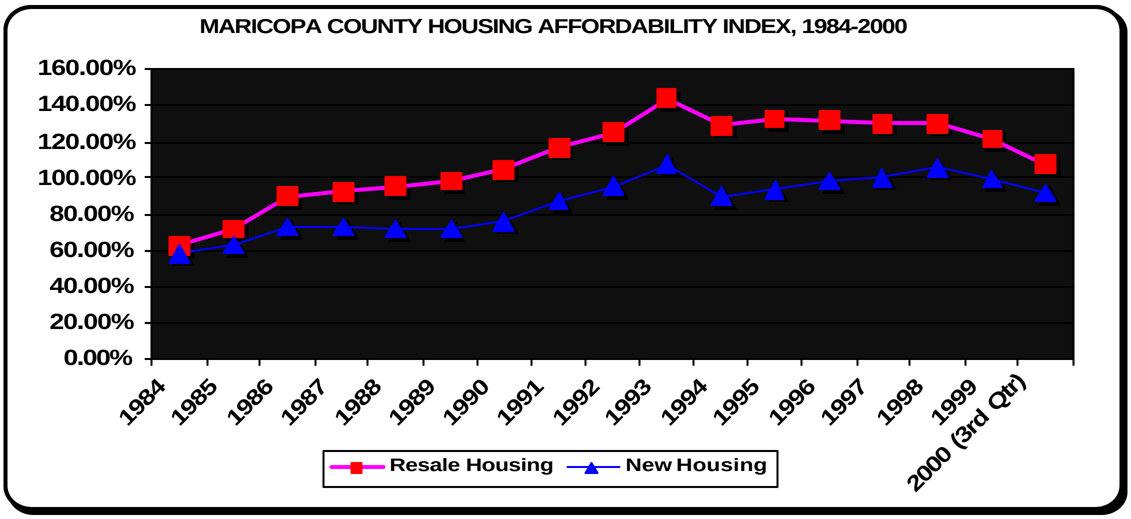
- ☛ Up to **1,858 properties 'at risk'.** The number of units is unknown.
- ☛ The average construction year for these properties was 1960.



While mobile homes comprise 7% of the county housing inventory in 1995, their housing quality has not been projected from the property tax records. Since such units are often most 'at risk' of being in a substandard condition, further investigation is highly recommended to estimate distress among dwellings taxed as both personal and real property.

3.3 Ownership Housing Affordability

Depicted on Table 5 in Appendix 1, despite a 32% increase in median income and 65% and 39% increase in the price of resale and newly constructed housing, respectively, from 1990 to 2000 (3RD Quarter), *housing affordability for the population as a whole* in Maricopa County has been enhanced by **3% for resale** dwellings and by **21% for newly constructed units** since 1990. This moderate hike in home affordability is predominantly due to major reductions in mortgage interest rates since 1990, which has subsequently mitigated the impact of steep increases in home values while magnifying the benefit of hikes in personal income to the consumer. Resale housing continues to be more affordable to a family earning the county median income.

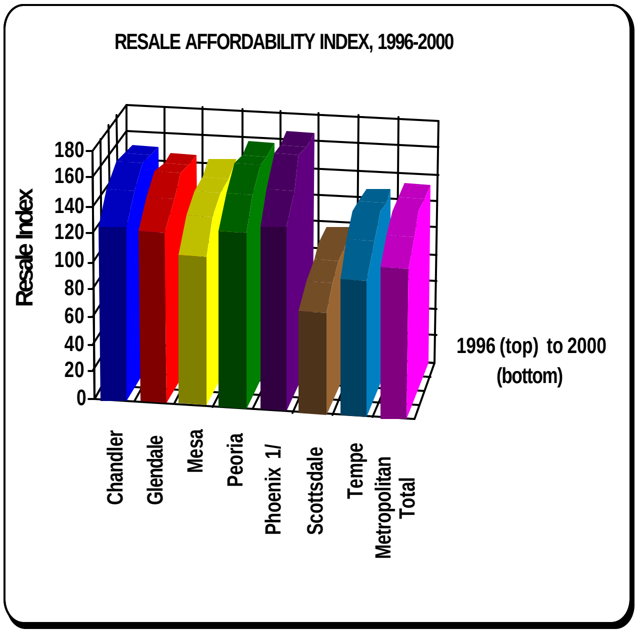


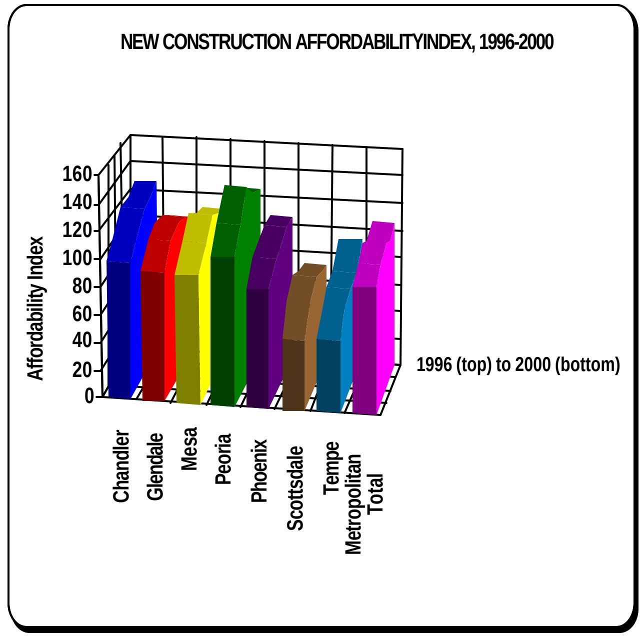
With declining interest rates evident in the near term, the likelihood is that overall affordability in the County will be strengthened. Over the longer term, housing affordability for the general population at large, including poor people, represents an unknown and is heavily reliant on the following key factors:

- mortgage interest rates.
- the cyclical economy.
- valuation and replacement cost trends for new and resale dwellings.
- the impact of 'growing smarter' type citizen initiatives on residential site acquisition and improvement costs.
- technological innovation in home construction and repair materials/procedures.
- the changing uses of housing given the onset of major innovations in high-speed broadband/satellite communications.
- changing demographic trends.
- trends in the distribution and levels of household and personal income.
- any changes in federal tax policy affecting homeownership.

In third quarter 1999, a household earning an annual income of $37,200 could afford the median-priced resale home, but now it requires an income of $40,200. In the new-home market, the annual income necessary to afford a median-priced home has increased from $45,300 to $46,800.home prices and incomes vary throughout the Valley, so does the affordability index prepared by ASU.

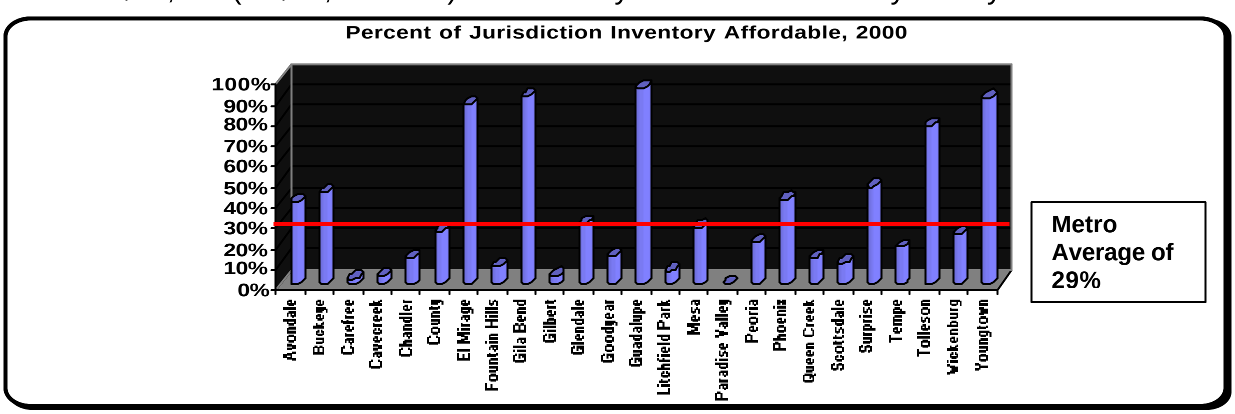
Realizing that an index of 100 means that a household earning the median income can afford the median priced home sold, anything above 100 suggests enhanced levels of affordability and below indicates stressed levels. Since poor people do not often purchase new dwellings given the expense, resale housing tends to be the available inventory for purchase. Third-quarter values from the resale affordability index range from 71 in Scottsdale to 123 in Glendale to 127 in Chandler.





Source: ASU Center For Business Research

Although reductions in mortgage interest rates have mitigated a major escalation in home values since 1990, the limited availability of affordable dwellings for purchase in the less expensive, resale and new condominium/townhome market has increasingly stressed low-income consumers throughout the region. Generally affordable to lower income, new and resale residential properties priced under \$80,000 are becoming increasingly scarce in Maricopa County. An insight into this issue is that fact that in the third of quarter of 1999 only 5% of homes sold for under \$70,000. Concentrations of modestly priced resale dwellings (3rd quarter 1999) were situated in Maryvale (660 sales at a median of \$84,000) and Central/West Phoenix (180 sales at a median of \$77,000). These properties are typically comprised of condominium and townhome units, and resale, single-family properties. Drawn from the Maricopa County Assessor files, Exhibit 5 in Appendix 1.0 indicates the spatial distribution of the affordable single-family and townhome/condo inventory in the Valley. Affordable was defined as single-family and condominium/townhome units with an the estimated market value less than \$80,000 (or \$70,000 FCV). A summary of this information by locality follows.



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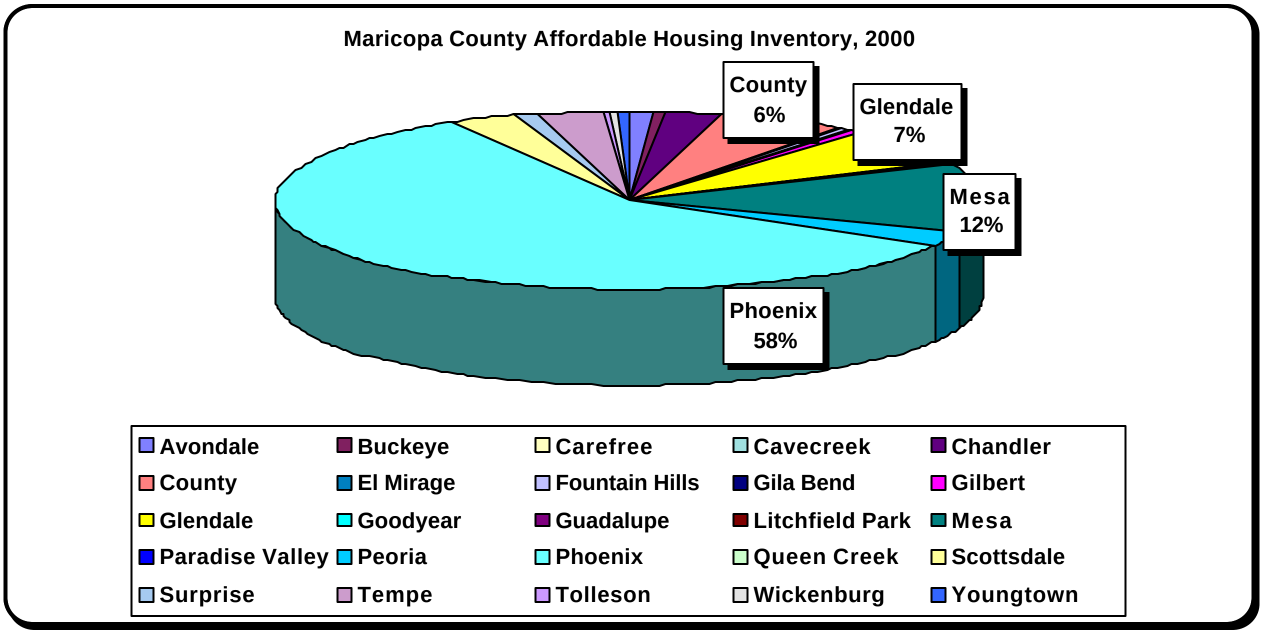
In 2000, Mesa, Glendale/Peoria, Phoenix (excluding Awatukee/Foothills) and the west Valley communities of Avondale, El Mirage, Goodyear and Surprise represent the regions most affordable to lower income consumers according to sales activity derived from ASU. As indicated below, the distribution of the affordable inventory in the Valley is concentrated in the cities of Phoenix, Mesa and Glendale, as well as unincorporated Maricopa County (a result of the incidence of retirement communities).



3.4 Rental Housing Affordability

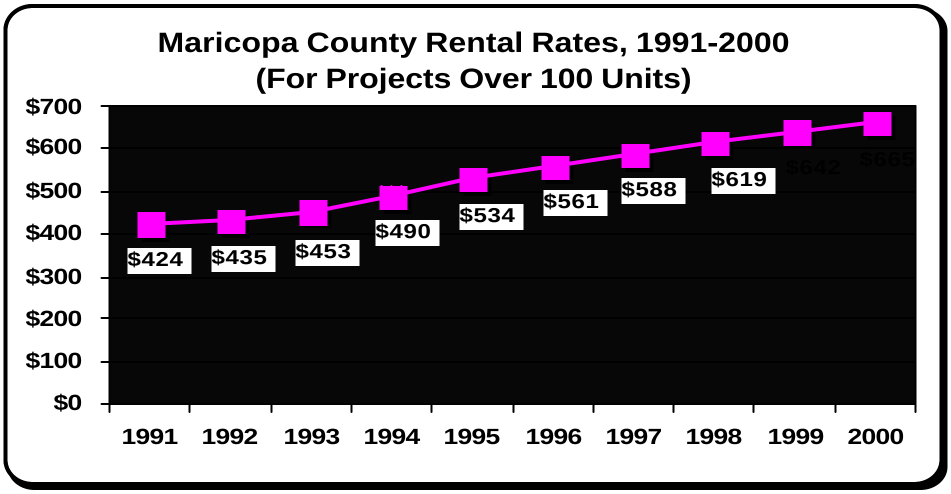
Lower income consumers have faced increasing levels of stress in the Maricopa County rental market from 1990 to date**. From 1991 - 2000, rent levels (for projects greater than 100 units in size) have grown by 57% compared with a 26% hike in median income, thereby eroding affordability for renters by about 40%. These statistics represent the core problem to low income households in urbanized, Maricopa County.** This imbalance in rental affordability is compounded by factors that have stressed the availability and accessibility of affordable rentals for lower income consumers, as indicated below:

- ☛ changes in federal tax law in 1986 mandated higher investment returns to investors associated with income property, including multi-family residential development. As a result, new, multi-family production added has been constructed at the "high end" of the market, thereby stressing the lower income consumer. Excess multi-family inventories resulting from overbuilding in the late 1980s vanished earlier in the 1990s. Henceforth, vacancy rates have dropped significantly and rental rates have risen. To date, these factors remain in place in the region, although subject to potential imminent change.
- ☛ reductions in interest rates stimulated extensive refinancing in the multi-family industry, but this has not materially benefited consumers since new inventories of affordable units were not significantly added by the private market. As a result, rental market conditions remain 'tight'.

☛ the production of affordable multi-family units added has been primarily from the Low Income Housing Tax Credit (LIHTC) program.

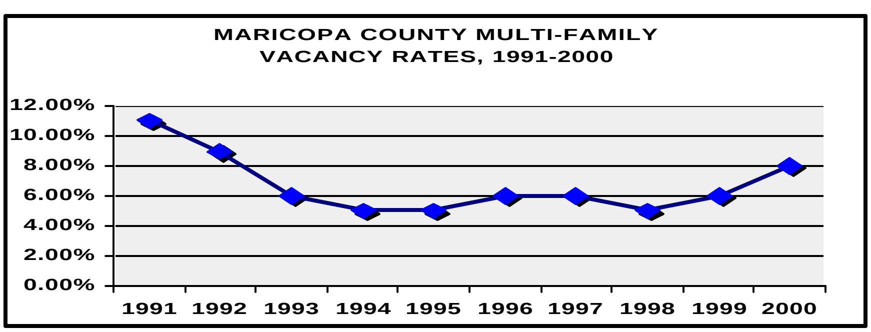
☛ faced with sustained tight market conditions favoring landlords, vulnerable, lower income consumers continue to be stressed in finding an adequate and decent supply of affordable rental units.

Derived from ©RealData, Inc., average gross rental levels in the county were flat from 1989 to 1992, but then rose from $435/month to $665/month by 2000, accounting for a 53% increase. As the market recuperated from extensive apartment overbuilding by the early 1990s, a sustained increase in rental levels ensued.

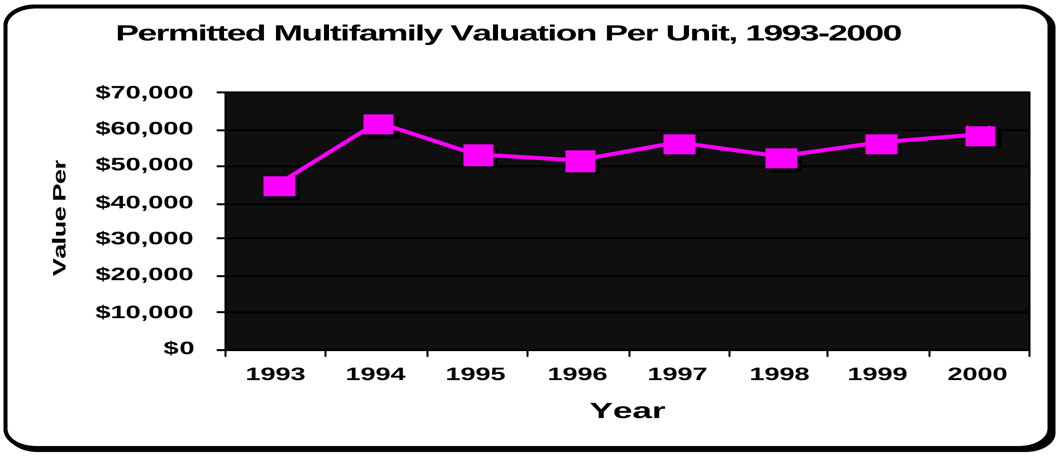


As expected, multi-family vacancy rates have declined from an exceptionally high level of 14.2% in 1989 reflective of extensive overbuilding, to a 6% level by 1994. As overbuilt units were ultimately absorbed by 1993-'94, multi-family vacancy rates in the county have remained more or less constant at the 6% level through 1999. Motivated by rapid employment growth, 6 - 7 % average vacancy rates have been sustained despite record levels of apartment construction. Evidence also indicates that multi-family vacancy levels currently average between 1 to 3% for small complexes (2-24 units/project), rising steadily to 4 - 6% levels for large complexes (more than 200 units/project). Yet the market is apparently changing. A review of county rental rates suggests that the severe stress on the rental market may be abating somewhat. Very low vacancy rates of 5-6%, characteristic of excessively 'tight' market conditions, have recently risen to 8%.

Permitting has obviously followed the trend in vacancy levels in Maricopa County. Stabilizing from overbuilding in the late 1980s, apartment construction rose dramatically in 1993 and has been sustained through 1999. While we are seeing a slight slowing in apartment permitting, it is unknown whether this will continue in the future.



Depicted below, multi-family permitting levels per unit have remained in the mid-$50,000 per unit level since the early 1990s. This is consistent with the construction of predominantly Class A apartment development. According to the most recent version of "Arizona Business", the apartment market has moved from Scottsdale to other areas, such as downtown Phoenix and the West Valley communities. A total of 8,691 multifamily permits were issued in 2000, down 5% from 199 levels and 18% from this cycle's peak apartment permitting level of 10,620 in 1997.



Source: ASU Center For Business Research

3.5 Assisted Rental Housing Inventory

According to the US Department of Housing and Urban Development (HUD), it is estimated that approximately 20,902 rental units are being subsidized on a continuing basis within Maricopa County for persons predominantly earning under 50% of the county median income. Deletions and/or additions in this inventory can greatly affect the incidence of homelessness. The inventory is comprised of:

- 1,728 Low Income Housing Tax Credit units (LIHTC) situated in apartment projects throughout Maricopa County (understated 1998 estimate);
- 5,400 project (or apartment) based, HUD subsidized rental units; and,
- 14,774 tenant (or household) based rental subsidies administered by state and local governments in Maricopa County.

Excluding local government multifamily support, Industrial Development Authority support and Rural Development resources, this count is subject to continuing change given losses to the HUD inventory as a result of budgetary appropriations and sponsor preferences.

4.0 CURRENT AFFORDABLE HOUSING NEED AND NEIGHBORHOOD DISTRESS

4.1 Affordable Housing Need

The research methodology used to estimate current housing need involved the application of ratios of households with problems evident in 1990 to current household estimates by county and jurisdiction. The distribution of household income evident in '95 was compared with ratios evident in 1990, and calibrations were made in limited circumstances. Information from the 2000 census may or may not result in much refined demand estimates. According to HUD, a household with problems consists of:

(1) persons and families living in units with physical defects (lacking a complete kitchen or bath; or

(2) persons and families living in overcrowded conditions (greater than 1.01 persons/room); or

(3) persons and families cost burdened (paying more than 30 percent of income for housing including utilities).

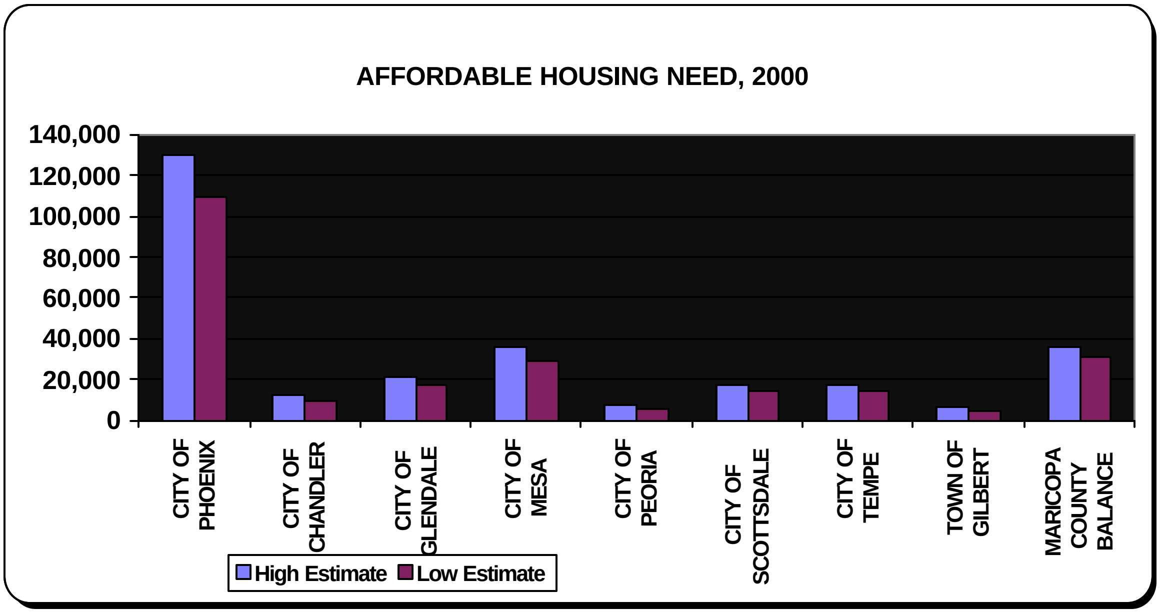
Severely cost burdened means that the person or family is paying more than 50% of their income for housing including utilities.

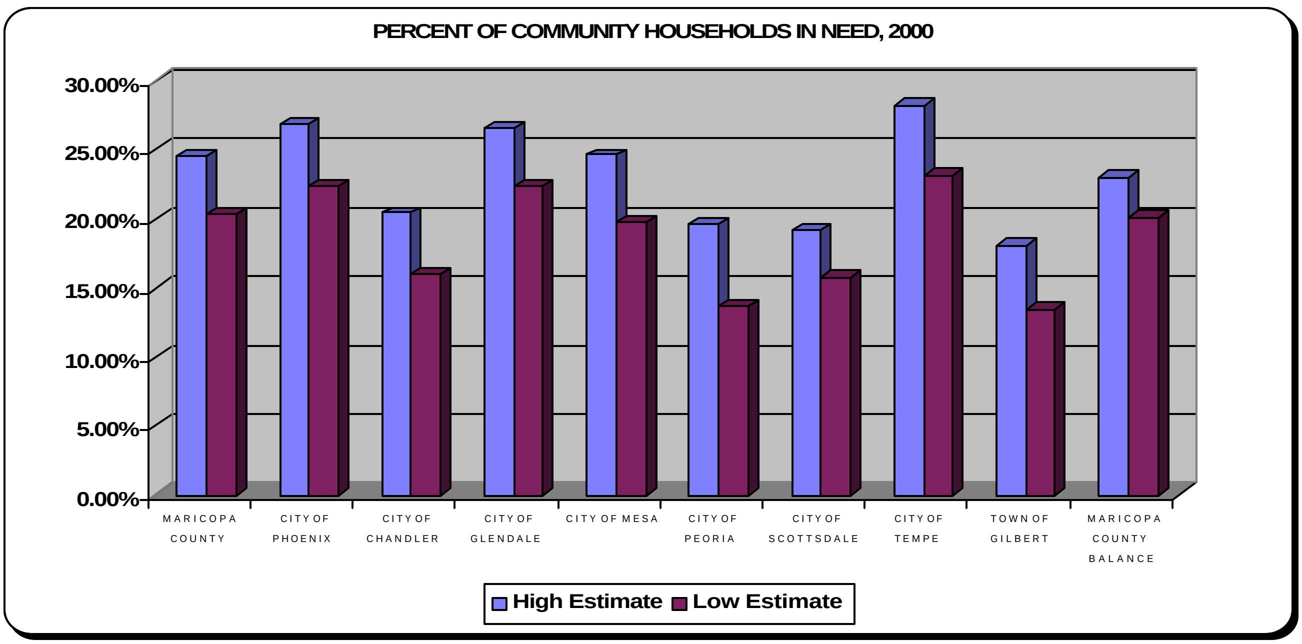
Depicted on Table 6 in Appendix 1 and drawn from HUD approved Consolidated Plans, the following estimating procedure was employed in these plans to project gross affordable housing need in FY 2000:

- ✓ Project the number of households with problems by income class, tenure, household type and jurisdiction through the application of applicable ratios evident in 1990 assumed for FY 2000. Estimate projected households by removing persons in group quarters and applying the number of persons/household per 1995 special census estimates.

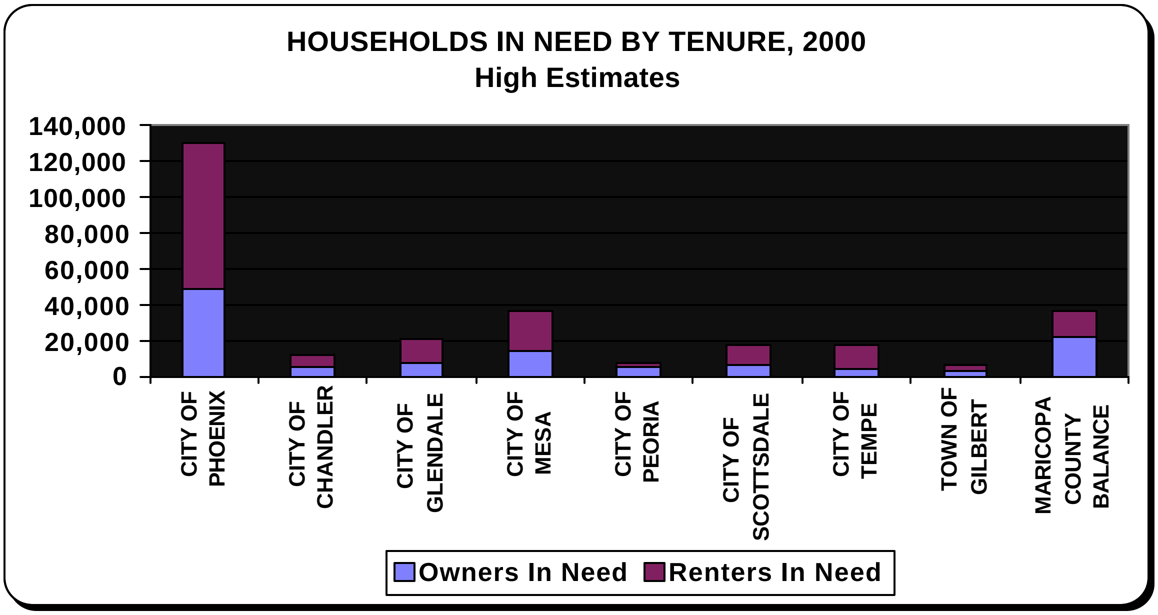
- ✓ The high range of affordable housing need was defined as all households ‘with problems’ earning less than 80% of the county median, while the lower range was included only severe cost burden for households earning from 51 to 80% of the county median. In this way, the threshold for lower income households was less stringent and vice-versa for higher income households.

In 2000, it is estimated that between 235,000 to 284,000 households are experiencing housing problems, representing from 20 to 24 percent of all households in the county. The major problem confronting households with problems per HUD definition relates to cost burden, or the proportion of income spent on monthly rent or mortgage payments. Generally speaking, the measure used in this study estimate gross program eligibility for common federal affordable housing programs derived from adopted HUD Consolidated Plans covering FY 2000-2004. Such estimates are presented in the following tables.





Estimates of housing 'problems' reflect the diversity evident within Maricopa County in both the composition of households and the nature of the housing inventory. ***Trends indicate that the more urbanized an area, the more housing 'problems' are often oriented to renters in terms of sheer numbers. Conversely, the more rural or emerging growth is occurring in a locale, the more likelihood problems are experienced by owners.*** Consult the following information that graphically indicates these facts.



Of the 166,800 low-income renter households earning under 80% MFI that are projected to have housing problems in FY 2000, 16 percent are elderly (over the age of 62), 36 percent are comprised of small households (2-4 persons), 16 percent are comprised of large households (5 or more persons), and 32 percent are comprised of one-person households. Of those 117,400 low-income owner households earning under 80% MFI that are projected to have housing problems in FY 2000, 34 percent are elderly and 66 percent are non-elderly.

4.2 Neighborhood Distress

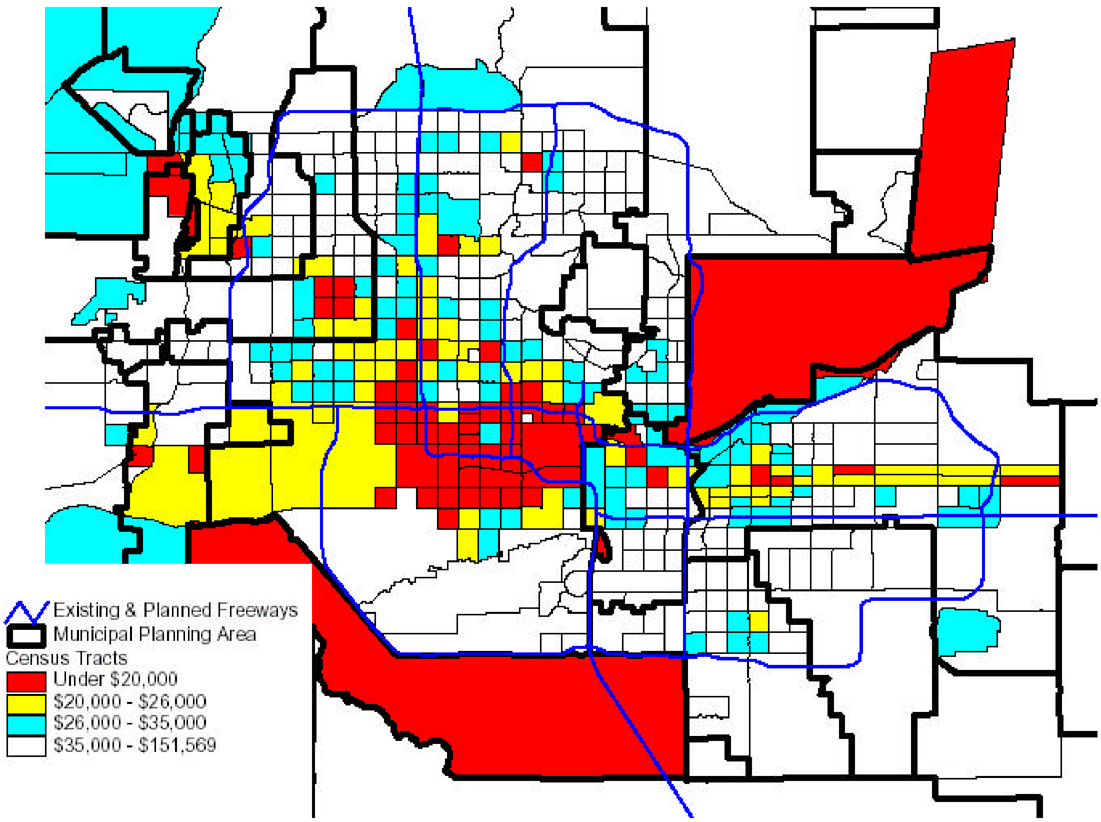
There is no common, accepted definition of neighborhood distress used by localities in Maricopa County, or for that matter, throughout Arizona. For purposes of this report, we have defined neighborhood distress as primarily residential areas characterized by high concentrations of poverty and other, selected symptoms and variables evident among residents. This definition has been established based on the following research findings generated by ASU.

HIGHEST CORRELATIONS WITH POVERTY RATE AND EDUCATIONAL ATTAINMENT IN METROPOLITAN PHOENIX IN 1990

VARIABLE	POVERTY RATE	EDUCATION LESS THAN H.S. DIPLOMA
Receiving Public Assistance	.87	.82
Female Headed Households With Children	.72	.71
HS Diploma or Less	.71	.92
Unemployment Rate	.79	.77
Hispanic Ethnicity	.75	.90

Neighborhood distress is reflected on the map below, and predominantly evident in the 'red' and 'yellow' colored regions.

1995 Median Income By Census Tract



Findings of the research on the spatial distribution of neighborhood distress are summarized below:

- ☛ A major swathe of distress is evident from southern Glendale running southeast to south and central Phoenix. As the increasing impact of redevelopment endeavors in Glendale and south/central Phoenix are achieved in tandem with market-rate private development occurring along Baseline Road, barriers on the southeast and northwest boundaries of this swathe are emerging. Aggressive cooperation by and between the cities of Glendale and Phoenix are suggested to attack, contain and eliminate distress. More information will be provided as projections are generated for this report;

- ☛ 'Pockets of distress' were evident in many other Valley communities, often in close proximity to older downtown neighborhoods;

- ☛ On the Indian Reservations; and,

- ☛ In Phoenix along the I-17 corridor and in limited pockets in North Phoenix.

- ☛ Like many new, large, western communities urbanized during the pre-eminence of the automobile, development evolved in multiple cores throughout the Valley concurrently over time. These initial, downtown urban cores formed the nucleus of concentric zones of development that grew outward from them, and languished as growth accelerated in peripheral areas of the Valley. As a result, the downtown cores of the Valley generally represent the oldest commercial and residential centers within a given community, and are either partially distressed or at great risk of this dilemma.

Geographic areas where Valley local governments target federal housing and community development investment are as follows:

Chandler:	City-wide, including tract 5229.02.
Gilbert	Area in tracts 4224.01, 4224.02 and 5227.03.
Glendale:	Area within boundaries of 43rd to 67th Avenue, Northern to Missouri Avenues (portions of tracts 923, 924, 926, 928, 929, 927, 930, 1042, and 931).
Avondale	Tracts 614, 822.02, 822.01
El Mirage	Tract 609
Goodyear	Tract 610.04
Guadalupe	Tract 1167.04
Surprise	Surprise original town site, tract 608
Tolleson	Older sections of Tolleson including tract 821
Buckeye	Tract 507
Gila Bend	Tract 7233
Queen Creek	Tract 5228
Wickenburg	Tract 405.02
Youngtown	Tract 716
Unincorporated County	Selected/qualified tracts.
Mesa:	Area within boundaries of Eighth Avenue and Eighth Street, Horne and Extension (portions of tracts 4220, 4217, 4219, 4213, 4226, 4225, 4216 and 4205).
Peoria:	Old Town area, Varney Tract and the southern most boundaries of the City (portions of tracts 719 and 927).
Scottsdale:	Area within boundaries of McDowell and Van Buren, around Pima Road (tract 2175).
Tempe:	Portions of census tracts 3184, 3188, 3189, 3190-91, 3195, 3197 and 3199.
Phoenix	5 Neighborhood Improvement Areas that include: Garfield (I-10 to Van Buren, 7th to 16th Streets); Isaac (I-10 to Palm Lane, 31st to 35th Avenues); Roosevelt (McDowell to Van Buren (7th Sgreet to 7thAvenue); South Phoenix Village (Salt River to Roeser, 24th to 32nd Streets); and, New North Town (Northern to Dunlap, 7th Street to the Arizona Canal. Like other municipalities, the City of Phoenix has designated a variety of redevelopment areas that include: Eastlake, Sunnyslope, Target Area B (S. Phoenix), Downtown/Roosevelt area and the Governmental Mall area.

5.0 REGIONAL AFFORDABLE HOUSING ISSUES ASSESSMENT

5.1 Homelessness

Factors that cause or contribute to homelessness in Maricopa County and throughout the U.S. include, but are not limited to:

- ☛ the incidence and vulnerability of persons in severe poverty (earning under 30% of the median income). *Presently (CY 2000), it is estimated that 96,100 households (61,500 owners and 34,600 renters) are earning under 30% of the median income. The 34,600 renter households are 'at the highest risk' of homelessness.*
- ☛ shortages of affordable housing (predominantly rental). *There are approximately 2,957 households on the waiting list for public housing and 4,292 for Section 8 (both vouchers/certificates and moderate rehabilitation). All waiting lists are presently closed, with waiting periods averaging 12-18 months for public housing and 18 months for Section 8.*
- ☛ the incidence and vulnerability of persons battered from domestic violence.
- ☛ the incidence and vulnerability of persons suffering from severe mental illness.
- ☛ the incidence and vulnerability of lower income persons plagued with chemical dependency.
- ☛ the vulnerability of persons released from correctional and homeless facilities.
- ☛ combinations of the above.

Characteristics of homeless persons in Maricopa County are summarized below:

CHARACTERISTIC	FY 1996 % OF TOTAL	FY 1997-99 % OF TOTAL
Ethnicity		
White/Anglo	50%	44-48%
Hispanic	16%	28-39%
Black	18%	10-19%
Native American	8%	4-7%
Asian	1%	1%
Gender/Family Status		
Male	66%	48-80%
Female	28%	20-52%
With Children	n/a	7%
Age		
18-34	21-35%	n/a
35+	79%	58%
Employment Status		
Employed	n/a	36%
Unemployed	64%	n/a
Veteran	25%	6%
Time Homeless		
0-4 Weeks	25%	n/a
1-6 mos.	32%	n/a
1+ Years	27%	n/a

Source: Data derived from "A Snapshot of Homeless People in Phoenix, Phoenix Health Care for the Homeless Coalition's 1996 Survey Data", January, 1997, the Morisson Institute. Central Arizona Shelter Services, Current Status of Homelessness in Arizona, ADES, 12/99.

Homelessness in Maricopa County is a function of the lack of affordable housing as well as funding or service delivery disparities by major institutions delivering behavioral health, substance abuse or correctional services in the region and the State. Accordingly, the measured response to address homelessness in the Valley relates to actions to hike the inventory of affordable dwellings, resolve service delivery gaps and foster equitable funding and services for clients in need.

There is a direct correlation of the inventory of permanent affordable housing to the incidence of homelessness in a given area. Reductions in the number of assisted rental units for poor people in Maricopa County will increase homelessness, and suggest a high priority on the preservation of this assisted rental housing inventory. Losses to the affordable inventory will also result in increased recidivism rates in homelessness, since accelerated client decompensation will inevitably occur from inadequate dwelling facilities. This will substantially hike the annual cost required to effectively address homelessness and its root causes.

5.2 Barriers To Affordable Housing Production

According the State of Housing In Arizona 2000 prepared by the Arizona Department of Commerce and State Housing Commission, the contribution of various cost components to overall affordable residential development (non-profit sponsor) by type is presented in the following table. It should be noted that the validity of this information is being accepted 'as is' based on research conducted by the Department of Commerce. Further review of the data is suggested. The information contained within this table for single-family development are based on non-profit sponsored urban and rural subdivisions and based on a 100 unit LIHTC project in the urbanized areas of Tucson. The non-profit cost analyses represents a direct impact to affordable housing production within the study area.

STATE OF ARIZONA NON-PROFIT HOUSING COST MODEL

COST COMPONENT	SINGLE-FAMILY	MULTI-FAMILY
Construction Materials and Labor	59.6%	70%
Site Acquisition & Improv.	21.6%	5.8%
Profit/Dev. Fee	4%	4.1%
Builder Overhead	7.9%	8.1%
Governmental Fees	***3.2%***	***3.6%***
Governmental Taxes	***3.7%***	***n/a***
Interim Interest	n/a	2.4%
Inspections/Insurance/Bonds	n/a	1.1%
Transaction Expenses	n/a	2.7%
Closing Costs/a	n/a	n/a
Professional Fees	n/a	2.4%

Source: The State of Housing In Arizona, 2000.

Governmental taxes represent about 3.7% of a single-family subdivision and an unknown percentage for multi-family. Arizona State statutes empower municipal and county government to impose both ad valorem and sales taxes on real estate development in Arizona. Such taxes represent limited impacts to the cost of affordable housing production in the Valley by non-profits for the following reasons:

☛ **Property Taxes** - The municipal and county share (levies) of property taxes (on both real and personal property) in Maricopa County represents no more than 33% of average total collections according to the Arizona Tax Research Association. Under the Arizona public finance system, the major share (67% on average) of primary and secondary property tax levies are derived from elementary and high school districts, community college districts, countywide special districts, State of Arizona levies, and geographic-specific special and/or community facilities districts. In some municipalities in Maricopa County, local governments have elected not to impose any levy on real and/or personal property. Of further consequence is the fact that non-profits have the ability to pursue the complete abatement of all property taxes for qualified affordable housing production. Legislative proposals are underway to ensure for the total abatement of property tax assessments on affordable housing produced by qualified non-profits.

☛ **Sales Taxes -** Again, local government sales tax collections represent a limited expense for affordable housing production executed by non-profit sponsors. The municipal or county share of sales taxes imposed on construction materials and rents represents no more than 25% of average total collection. Under the Arizona public finance system, the major share (at least 75%) of sales tax receipts in Maricopa County flow to the State of Arizona and other impacted taxing jurisdictions. Of further consequence is the fact that non-profits have the ability to pursue the complete abatement of all sales taxes for qualified affordable housing production. Again, Legislative endeavors are underway to ensure for the total abatement of sales tax assessments on affordable housing produced by qualified non-profits.

According to the Arizona Housing Commission, governmental fees (i.e. permitting, development and impact fees, etc) represent 3.2% and 3.6% for non-profit sponsored single- and multi- family development, respectively. Therefore, according to the State, a $75,000 newly constructed single-family residence would incorporate $2,400 in non-recurring governmental fees, while a newly constructed LIHTC project valued at $60,000/unit would incorporate $2,160/unit in fees. While such non-recurring fees add cost to the production of affordable housing, local governments to offer 'fee waivers' for priority housing production. According to the Maricopa HOME Consortia Consolidated Plan, local governments are highly cognizant of the impact of governmental fees to affordable housing production for low and moderate income households and will continue to closely monitor the situation. Local governments continue to offer fee waivers to offset development and permit fees for priority housing production as determined by individual local governing bodies within the legal parameters delineated in state statute and associated case law.

☛ **Land-Use/Building Controls** - Taken as a group, land use/building controls and ordinances can and do affect the uses of private and public property and costs associated with the production and/or preservation of affordable housing for low and moderate income persons. The impacts of these controls and ordinances are predominantly indirect, in that their usage and application would not directly result in a tax or fee imposed to property owners, but would indirectly affect the quality and quantity of existing or future development on both public and private property. Impacts are also subject to fluctuation with dynamic market conditions evident within the region over time, and as such, the quantification of such impacts can and do vary dramatically on a case by case basis. Refer to the MAG Housing Working Paper that addresses land use planning mechanisms to promote a balanced supply of all housing types in the Valley.

Building Codes

Building codes adopted by local governments in Maricopa County tend to be similar, and all comply with national Uniform Building Code (UBC) standards. Codes that are more restrictive than the UBC are not being utilized. Local governments in the Valley continue to amend building codes to respond to current and future innovation in homebuilding techniques and materials, energy efficiency and expedited permit processing. Such entities continue to confer with the Arizona State University School of Architecture, Central Arizona Home Builders Association and other professional associations concerning innovation in building techniques, materials and energy efficiency, etc.

Zoning Authority

Zoning authority is based on the need to promote the health, safety, and general welfare of any jurisdiction, and represents "police powers" on which much civil law is based. To implement these purposes, A.R.S. 9-462.01 and 11-802 permits broad authority by local governments. The application of zoning powers by localities directly impacts the value, economic carrying capacity and uses of residential sites and thus, the ultimate pricing for existing and newly constructed housing. Valley localities continue to encourage zoning provisions that foster priority affordable housing production through the use of such techniques as density bonuses and other density enhancement provisions, variation in setback requirements, inclusionary zoning procedures, clustering provisions, the rezoning of vacant land, infill, adaptive re-use, alternative and lower cost housing opportunities (modular and/or manufactured housing, SRO's, supportive housing facilities, etc.) to assist low and moderate income households in a non-discriminatory manner pursuant to state statutes and case law. In addition, localities are highly aware of the need to aggressively implement zoning ordinances as a means to prevent or remedy neighborhood decay.

Subdivision Regulations

A.R.S. 9-463 and 11-806 authorizes the enactment of subdivision regulations by cities and counties. Valley localities often enact and implement subdivision regulations and design review standards in a manner that offers inducements to stimulate priority affordable housing production within selected geographic infill regions according to unique local needs. Localities are keenly aware of the impact of subdivision and design/review requirements on affordable housing production, and continue to monitor such ordinances and procedures to stimulate priority residential development.

'Slumlord' Abatement and Neighborhood Improvement Ordinances

In 1999, the passage of ARS 12-991-997 and 33-1902 & 1903 authorized the enactment of slumlord abatement in Arizona. The application of this statute by cities and counties within MAG represents the removal of a major barrier to affordable housing operation, production and maintenance. Briefly stated, the new statute provides units of local government and the courts with extensive legal enforcement authority and remedies to ensure that 'slum property' rental housing is provided to low and moderate income persons in a decent, safe and sanitary manner. 'Slum property' is defined as property in a state of disrepair and that manifests one or more of the following conditions:

- "structurally unsound........";

- "lack of potable water, adequate sanitation facilities, adequate water or waste pipe connections";
- "hazardous electrical systems or gas connections";
- "lack of safe and rapid egress"; and,
- "accumulation of human or animal waste, medical or biological waste,.....".

Local governments are committed to the challenge of identifying 'slum' properties', registering problem properties and executing appropriate legal action against both the owners (on- site, off-site and absentee) and managers in violation of state law. The aggressive enforcement of this statute enables Valley localities to more effectively focus scarce affordable housing resources by mandating the preservation of the 'at risk' rental stock in a given region. The Maricopa County Assessor and Attorney offices are heavily involved in both the identification, registration and prosecution of 'slumlord properties' inside and outside county jurisdiction.

5.3 Resources

The MAG regional agenda offered is subject to continuing refinement and change by the directives adopted by the MAG Governance Committee and units of local government. The following issue areas and agenda represents areas of collective interest by units of local government in Maricopa County.

Issue 1: Increase Funding Volume

There are inadequate resources to address affordable housing demand in the Valley. The following funding initiatives are offered for regional consideration and implementation:

✓ **Explore Authorization of A Valleywide Housing Trust Fund** – Consider financing the Housing Trust Fund through sources that include but are limited to:

- ❑ A modest surcharge on all residential building permits issued that is indexed to the value of the permit issued. Consider the commitment of a portion of revenues for an equalization fund allocated based on a ‘fair share’ formula that emphasizes a high incidence of distress; and/or,

- ❑ A slight fee on all residential deeds recorded during a given year. Allocate such funds through a ‘fair-share’ formula emphasizing jurisdictions with a high incidence of distress.

✓ **Alterations to Commercial Governmental Lease Excise Tax** - Authorized under ARS 42-6209, raise the level of incentive support for residential rental properties in order to induce multi-family development at both market and affordable rental levels.

✓ **Increase The Private Activity Bond Allocation For Multi-Family Development** – Through the provisions of HB 2390, pursue increases to the multifamily tax-exempt bond cap.

✓ **Community Reinvestment Financing** - Community Reinvestment Financing (**aka tax-increment financing**) is a proven tool to stimulate the production of affordable housing as well as to execute local redevelopment and revitalization efforts. Community Reinvestment Financing is a means to stimulate the redevelopment and economic vitality of distressed areas and neighborhoods by fostering a direct partnership of public and private investment to expedite development in these areas. In cooperation with the Governor's Office and State Legislature over time, seek to pursue needed changes to authorize community reinvestment financing aka tax increment.

- ✓ **Non-Profit Tax Exemptions** – Continue to support refinements to state enabling statutes that permanently affirms the exemption of qualified non-profit sponsored affordable housing production from all sales and property taxes imposed by affected taxing jurisdiction in the region.

- ✓ **State of Arizona Neighborhood Preservation and Improvement Commission** – The Commission was Authorized in CY 2000 under ARS 41-889 without appropriation. Support a major funding appropriation for this Committee.

- ✓ **Adequate Funding For The State Mental Health and Correctional System** – Secure appropriate funding by the State for housing and services for seriously mentally ill persons and other clients with behavioral health problems. Advocate funding based on: (1) the degree to which activities foster the development of a permanent and reliable housing/shelter stock for clients in need replete with appropriate services; (2) results associated with client transition to self sufficiency; and, (3) efforts by mental health providers to pursue and achieve alternative funding sources and approaches for permanent housing production for homeless clients. Support the allocation of resources by the State for effective prison release programs/facilities. All such funding should be at levels to permanently prevent the incidence of homelessness by such clients within the region.

- ✓ **Industrial Development Authority (IDA) Surplus Revenues** - Support the usage of surplus IDA revenues for locally identified affordable housing and neighborhood revitalization priorities. In concert with IDAs, pursue written agreements that establish public purpose parameters for the investment of IDA surplus funds. Pursue state statutes as/if needed.

- ✓ **Generate IDA Revenues** – Continue to confer with applicable Valley IDAs to institute ongoing procedures (i.e. interest rate surcharge, fees on refundings, etc) via single- and multi- family bond transactions to generate funding for investment in affordable housing endeavors. Ensure that additional affordable units are added to the region's housing stock in a manner that does not compromise the financial integrity of financial transactions.

- ✓ **Resources For Disabled Homeless Persons -** On a continuing basis, aggressively encourage the commitment of dedicated state funding for permanent residential dwellings for priority disabled populations and needed support services through the State Housing Commission and local intergovernmental staff.

- ✓ **Resources For Prison Inmate Release -** In cooperation with the State Housing Commission, urge the provision of adequate state funding for facilities and services by the Department of Corrections and Maricopa County to mitigate the incidence of homelessness among inmates upon their release in the region.

- ✓ **Preservation of Expiring HUD Apartment Inventory** – Encourage public and private investment to sustain the prevailing inventory of HUD assisted apartment dwellings in the region through existing resources and not from un-funded federal mandates.

Issue 2: Funding Equity And Reliability

✓ **<u>Geographic Allocation of Existing State Housing Resources</u>**

- ❑ Ensure the equitable allocation of State Housing Trust Fund (HTF) resources for the Valley at a level not less than 60% (population based) of the annual state revenues for all eligible uses authorized under state statute. If deemed appropriate, pursue a 'pass through' allocation of State HTF resources for the Valley.

- ❑ Foster continuing annual Valley allocations of Low Income Housing Tax Credits (LIHTC) at levels not less than 60% (population based) of the annual state total and subject to all local land-use and affordable housing priorities and policies. If deemed appropriate, consider and pursue opportunities with the State concerning regional LIHTC sub-allocations and an increased local role in project processing and project ratings.

- ❑ Continue the investment of State HOME Resources within the MAG region at levels proportionate to statewide need.

- ❑ Work with the State on a continuing basis to ensure the acquisition and usage of all state resources are not overly complicated or prescriptive.

✓ **<u>Federal and State Rental Subsidies</u> -** Support the continuing administration of all rental subsidy resources by local housing authorities established pursuant to ARS 36-1401 subject to locally identified priorities and needs. The execution of the State Housing Authority functions authorized under ARS 41-3903 for 'special populations' be financed, to the maximum degree, with state funding or legally dedicated federal rental resources subject to consultation with individual local governing bodies.

✓ **<u>State of Arizona Action Zone Program</u>** – Support the Governor's Office intentions and initiative under its Action Zone program. Strengthen neighborhood planning and citizen participation inherent in program design, and pursue the following initiatives:

- New, dedicated state resources to fund the program initiative.
- The flexible use by local governments of state resources.
- Streamlined funding coordination and administrative requirements imposed by the State.

✓ **<u>Phoenix/Glendale Neighborhood Revitalization</u>** – Encourage cooperative endeavors to address neighborhood distress evident in the southwest Valley.

✓ **<u>Decentralized Affordable Housing Delivery System</u> –** Support sustained decentralization in the allocation and administration of existing and future federal and state funded affordable housing/community development program resources and tax credits in the region to address locally identified needs and priorities. *Work with the Federal and State governments to foster the <u>prudent</u>, 'pass through' of new, federally funded affordable housing or community development resources.*

✓ **<u>IDA Project Reviews</u> -** Continue to assess IDA public purpose policies associated with the approval of funding of tax-exempt multi-family projects. Set priorities and thresholds based on the retention of the existing affordable stock, target area development (acquisition and rehabilitation or construction), projects offering a large percentage of affordable units, and project amenities and compliance with applicable public codes and ordinances.

Issue 3: Affordable Housing Barrier Removal

- ✓ **Affordable Housing Information and Referral Center** - Disseminate and broker services for affordable housing that include, but are not limited to: real estate listings, home financing, homeownership counseling, fair housing, eviction/foreclosure intervention, landlord tenant issues, rental listings, governmental support, etc.
- ✓ **Jobs/Housing Balance Fiscal Assessment** – Pursue research that establishes the fiscal consequences to local governments of imbalances in the jobs/housing ratio.
- ✓ **Permitting and Development Fees** - Continue to waive or abate permitting and development fees for priority affordable housing development and targeted redevelopment approved by local governing bodies.
- ✓ **Land Use Controls** - Continue to apply local zoning, subdivision and impact fee policies to foster affordable housing production consistent with priorities set by local governing bodies.
- ✓ **Land Use Techniques** - Continue to grant density bonuses, clustering, rezoning of vacant land, flexible setback requirements, adaptive re-use, inclusionary zoning and other incentives for priority affordable housing projects to induce production and preservation as determined by local governing bodies.
- ✓ **Permit Processing** - Continue to implement expedited permit processing for priority affordable housing production as determined by local governing bodies.
- ✓ **Building Codes** - Continue to monitor and update building codes to provide for cost effective construction and quality manufactured housing development.
- ✓ **Slumlord Statute** - Aggressively implement the new slumlord statute to identify and remedy projects out of compliance, thereby enhancing and preserving the existing supply of multi-family units.
- ✓ **Manufactured Housing** - Consistent with local priorities, foster the provision of quality manufactured housing development.
- ✓ **Labor and Building Techniques** - Promote the use of alternative labor in housing programs through self help initiatives, and foster the use of alternative building materials.
- ✓ **Surplus Local Assets** – Foster the commitment of public facilities, land and improvements to stimulate priority affordable housing. Execute land banking where prudent and feasible as determined by local governing bodies.

Best practices in (1) affordable housing and (2) neighborhood revitalization are located in Appendix 2 and 3 of this document, respectively. The information was derived from a review of winners in the HUD database for last calendar year (2000).

APPENDIX 1.0

(Includes All Tables and Maps)

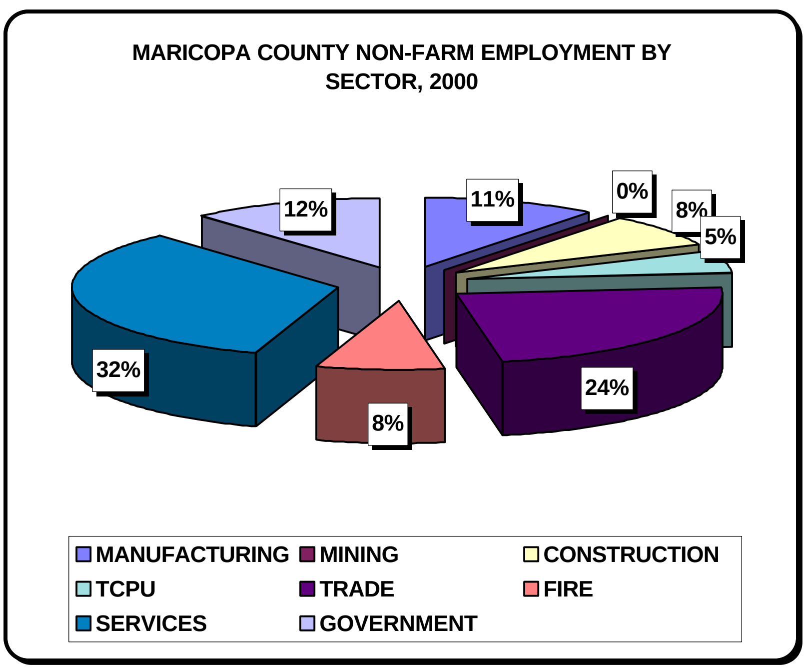
Run Date:
22-Sep-01

TABLE 1
MAG AFFORDABLE HOUSING STUDY

MARICOPA COUNTY NON-FARM EMPLOYMENT BY SECTOR ('97-'00)

NON-FARM SECTOR	1997 (000s)	1998 (000s)	1999 (000s)	2000 (000s)	CHANGE 97-'00
MANUFACTURING	161.50	170.20	161.60	162.20	0.43%
MINING	6.30	5.70	1.10	1.20	-80.95%
CONSTRUCTION	95.10	105.20	112.50	117.90	23.97%
TCPU	70.40	74.70	79.20	83.30	18.32%
TRADE	338.70	353.70	355.20	366.40	8.18%
FIRE	107.20	116.90	117.00	119.80	11.75%
SERVICES	431.90	451.40	485.30	512.00	18.55%
GOVERNMENT	172.00	182.20	175.20	181.90	5.76%
TOTAL NON-FARM	1,383.10	1,460.00	1,487.10	1,544.70	11.68%

Source: Arizona Dept. of Economic Security, Labor Market Information, 2001.



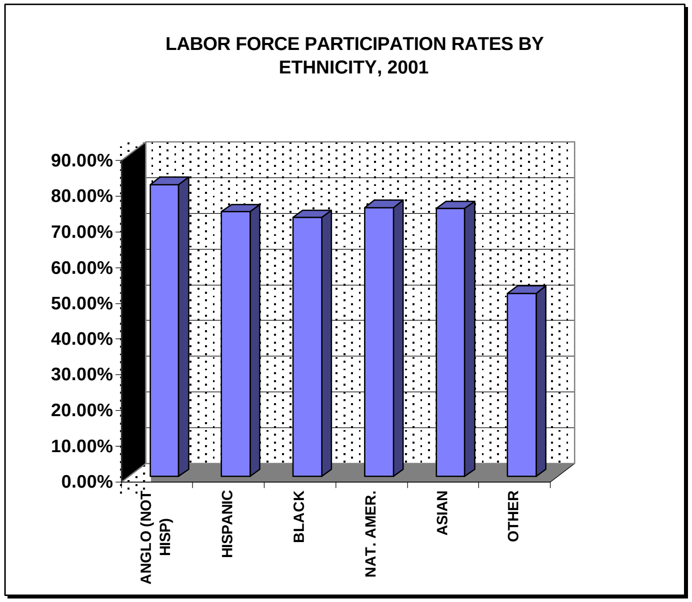
Run Date:
22-Sep-01

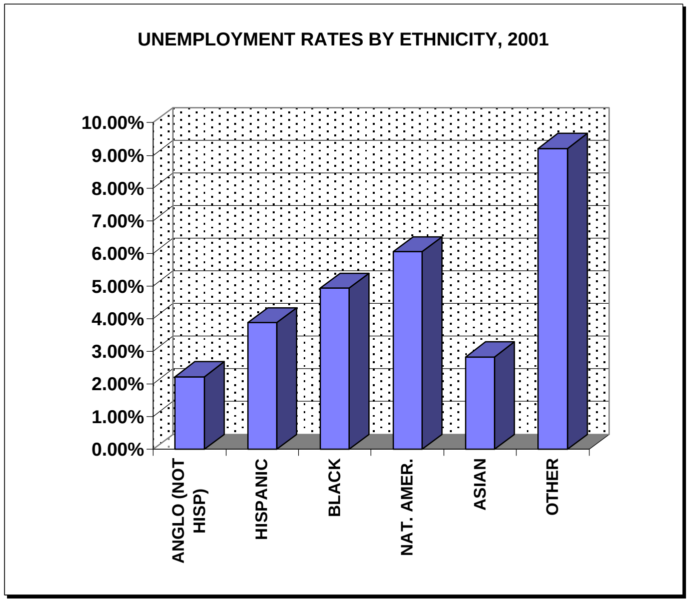
TABLE 2
MAG AFFORDABLE HOUSING STUDY

MARICOPA COUNTY
LABOR FORCE PARTICIPATION AND UNEMPLOYMENT
LEVELS BY ETHNICITY, 2001

AGE CATEGORY	ANGLO (NOT HISP)	HISPANIC	BLACK	NAT. AMER.	ASIAN	OTHER	MINORITY TOTAL	PARITY LEVEL
POPULATION IN LABOR FORCE AGES (16-64)	1,499,478	290,883	61,522	23,646	34,192	1,853	412,096	
CIVILIAN LABOR FORCE	1,224,325	215,435	44,583	17,782	25,634	949	304,383	
CIVILIAN LABOR FORCE PARTICIPATION LEVEL	81.65%	74.06%	72.47%	75.20%	74.97%	51.21%	73.86%	**90.46%**
PROJ. EMPLOYMENT (16-64)	1,197,443	206,622	42,105	16,662	24,972	915	291,276	
PROJ. UNEMPLOYMENT (16-64)	26,882	8,632	2,477	1,120	391	34	12,654	
PROJ. UNEMPL. RATE (16-64)	2.20%	4.01%	5.56%	6.30%	1.54%	3.58%	4.16%	**189.62%**

Source: Arizona Department of Economic Security, Labor Market Information, 2001.





Run Date:
6-Aug-01

TABLE 3
MAG AFFORDABLE HOUSING STUDY

POPULATION BY ETHNICITY & GENDER
MARICOPA COUNTY, CY 2000

ETHNICITY	TOTAL	% OF TOTAL	MALE	% OF TOT. MALES	FEMALE	% OF TOT. FEM.
ANGLO-NON HISP.	2,268,321	77.64%	1,108,021	76.98%	1,160,300	78.29%
HISPANIC	471,174	16.13%	241,245	16.76%	229,929	15.51%
BLACK	95,808	3.28%	48,360	3.36%	47,448	3.20%
NATIVE AMERICAN	35,762	1.22%	17,145	1.19%	18,617	1.26%
ASIAN	47,095	1.61%	22,992	1.60%	24,103	1.63%
OTHER	3,308	0.11%	1,662	0.12%	1,646	0.11%
TOTAL	**2,921,468**	**100.00%**	**1,439,425**	**100.00%**	**1,482,043**	**100.00%**

INCIDENCE OF POVERTY BY ETHNICITY & GENDER
IN MARICOPA COUNTY, CY 2000

ETHNICITY	TOTAL	% OF TOTAL	MALE	% OF TOT. MALES	FEMALE	% OF TOT. FEM.
ANGLO-NON HISP.	144,097	53.89%	62,723	51.76%	81,374	55.65%
HISPANIC	92,692	34.67%	44,797	36.97%	47,895	32.76%
BLACK	17,161	6.42%	7,359	6.07%	9,802	6.70%
NATIVE AMERICAN	7,472	2.79%	3,104	2.56%	4,368	2.99%
ASIAN	5,367	2.01%	2,925	2.41%	2,442	1.67%
OTHER	603	0.23%	265	0.22%	338	0.23%
TOTAL	**267,392**	**100.00%**	**121,173**	**100.00%**	**146,219**	**100.00%**

Source: Arizona Dept of Economic Security, Manpower Planning Reports, 2000. Excludes population on the Reservations.

Run Date:
6-Aug-01

TABLE 4
MAG AFFORDABLE HOUSING STUDY

HOUSING INVENTORY BY TYPE & REGION
IN MARICOPA COUNTY, 1995

INVENTORY TYPE	TOTAL 1/	% OF TOTAL	PHOENIX	WEST VALLEY	EAST VALLEY	RETIREMENT 2/ COMMUNITIES	RESERVATIONS	UNINCORPORATED COUNTY BAL.	SMALLER CITIES 3/	% OF TOTAL
Owner Occupied Units	622,080	**100.00%**	250,890	79,646	219,858	37,489	2,143	32,054	51,666	**100.00%**
Detached	512,957	**82.46%**	217,496	64,607	184,018	30,104	1,101	23,979	39,622	**76.69%**
Attached	44,684	**7.18%**	12,320	5,126	20,174	6,756	113	702	1,281	**2.48%**
2-4 Units	5,380	**0.86%**	2,527	444	2,429	143	0	48	267	**0.52%**
5+ Units	14,712	**2.36%**	5,979	1,459	6,988	363	1	77	437	**0.85%**
Mobile Home/Trailer	44,347	**7.13%**	12,568	7,982	15,596	5	1,028	7,168	10,025	**19.40%**
Renter Occupied Units	333,374	**100.00%**	170,385	34,755	116,737	2,720	605	6,978	14,997	**100.00%**
Detached	69,236	**20.77%**	36,782	10,822	17,603	991	450	2,961	5,620	**37.47%**
Attached	20,453	**6.14%**	6,946	3,383	9,344	725	42	402	1,040	**6.93%**
2-4 Units	37,749	**11.32%**	20,316	3,891	13,006	41	40	660	2,367	**15.78%**
5+ Units	198,435	**59.52%**	103,381	17,906	75,206	727	46	1,299	3,385	**22.57%**
Mobile Home/Trailer	7,501	**2.25%**	2,960	1,265	1,578	1	58	1,642	2,318	**15.46%**
Total Occupied Units	955,454	**100.00%**	421,275	114,401	336,595	40,209	2,748	39,032	66,663	**100.00%**
Detached	582,193	**60.93%**	254,278	75,429	201,621	31,095	1,551	26,940	45,242	**67.87%**
Attached	65,137	**6.82%**	19,266	8,509	29,518	7,481	155	1,104	2,321	**3.48%**
2-4 Units	43,129	**4.51%**	22,843	4,335	15,435	184	40	708	2,634	**3.95%**
5+ Units	213,147	**22.31%**	109,360	19,365	82,194	1,090	47	1,376	3,822	**5.73%**
Mobile Home/Trailer	51,848	**5.43%**	15,528	9,247	17,174	6	1,086	8,810	12,343	**18.52%**
PERCENT OWNER UNITS	**65.11%**	**na**	**59.55%**	**69.62%**	**65.32%**	**93.24%**	**77.98%**	**82.12%**	**77.50%**	**na**
PERCENT RENTER UNITS	**34.89%**	**na**	**40.45%**	**30.38%**	**34.68%**	**6.76%**	**22.02%**	**17.88%**	**22.50%**	**na**
Total Vacant Units (Non-Seas)	31,876	**NA**	27,736	6,863	20,817	1,724	192	2,960	5,024	**NA**
TOTAL UNITS (Non-Seas)	987,330	**NA**	449,011	121,264	357,412	41,933	2,940	41,992	71,687	**NA**

Source: 1995 Special Census.

1/ Includes the reservations. 2/ Includes Sun Lakes, Sun City West and Sun City. 3/ All cities under 50,000 in population in '90. Not included in total county tabulations.

Run Date:
6-Aug-01

TABLE 5
MAG AFFORDABLE HOUSING STUDY

MARICOPA COUNTY NEW AND RESALE
AFFORDABILITY INDEX, 1984-'98

			RESALE HOUSING			NEWLY CONSTRUCTED HOUSING		
YEAR	MEDIAN GROSS INCOME	EFFECTIVE INTEREST RATE	MEDIAN SALES PRICE	MONTHLY HOUSING PAYMENT	AFFORDABILITY INDEX	MEDIAN SALES PRICE	MONTHLY HOUSING PAYMENT	AFFORDABILITY INDEX
1984	**$1,910**	**14.20%**	$71,250	$860	**63.00%**	$76,950	$920	**58.00%**
1985	**$2,070**	**12.90%**	$73,500	$810	**72.00%**	$83,200	$910	**63.00%**
1986	**$2,230**	**10.60%**	$75,000	$690	**90.00%**	$92,650	$850	**73.00%**
1987	**$2,390**	**10.60%**	$77,650	$710	**93.00%**	$99,650	$920	**73.00%**
1988	**$2,490**	**10.80%**	$78,000	$730	**95.00%**	$103,950	$970	**72.00%**
1989	**$2,600**	**11.00%**	$78,000	$740	**98.00%**	$105,850	$1,010	**72.00%**
1990	**$2,725**	**10.50%**	$79,000	$720	**105.00%**	$109,300	$1,000	**76.00%**
1991	**$2,800**	**9.40%**	$80,000	$670	**117.00%**	$107,500	$900	**87.00%**
1992	**$2,880**	**8.60%**	$83,000	$640	**125.00%**	$108,800	$850	**95.00%**
1993	**$3,000**	**7.40%**	$84,000	$580	**144.00%**	$112,500	$775	**108.00%**
1994	**$3,090**	**8.50%**	$87,225	$670	**129.00%**	$124,475	$950	**90.00%**
1995	**$3,180**	**8.10%**	$90,500	$670	**133.00%**	$127,600	$945	**94.00%**
1996	**$3,330**	**7.90%**	$97,000	$700	**132.00%**	$130,750	$950	**98.00%**
1997	**$3,330**	**7.50%**	$105,000	$735	**130.00%**	$136,130	$950	**100.00%**
1998	**$3,480**	**6.90%**	$113,585	$750	**130.00%**	$139,070	$920	**106.00%**
1999	**$3,535**	**7.20%**	$120,000	$815	**122.00%**	$146,710	$1,000	**99.00%**
2000 (3rd Qtr)	**$3,600**	**7.80%**	$130,000	$940	**108.00%**	$151,525	$1,090	**92.00%**
Change '84-'00	**88.48%**	**-45.07%**	**82.46%**	**9.30%**	**71.43%**	**96.91%**	**18.48%**	**58.62%**
Change '90-'00	**32.11%**	**-25.71%**	**64.56%**	**30.56%**	**2.86%**	**38.63%**	**9.00%**	**21.05%**

Source: ASU Bureau of Business Research.

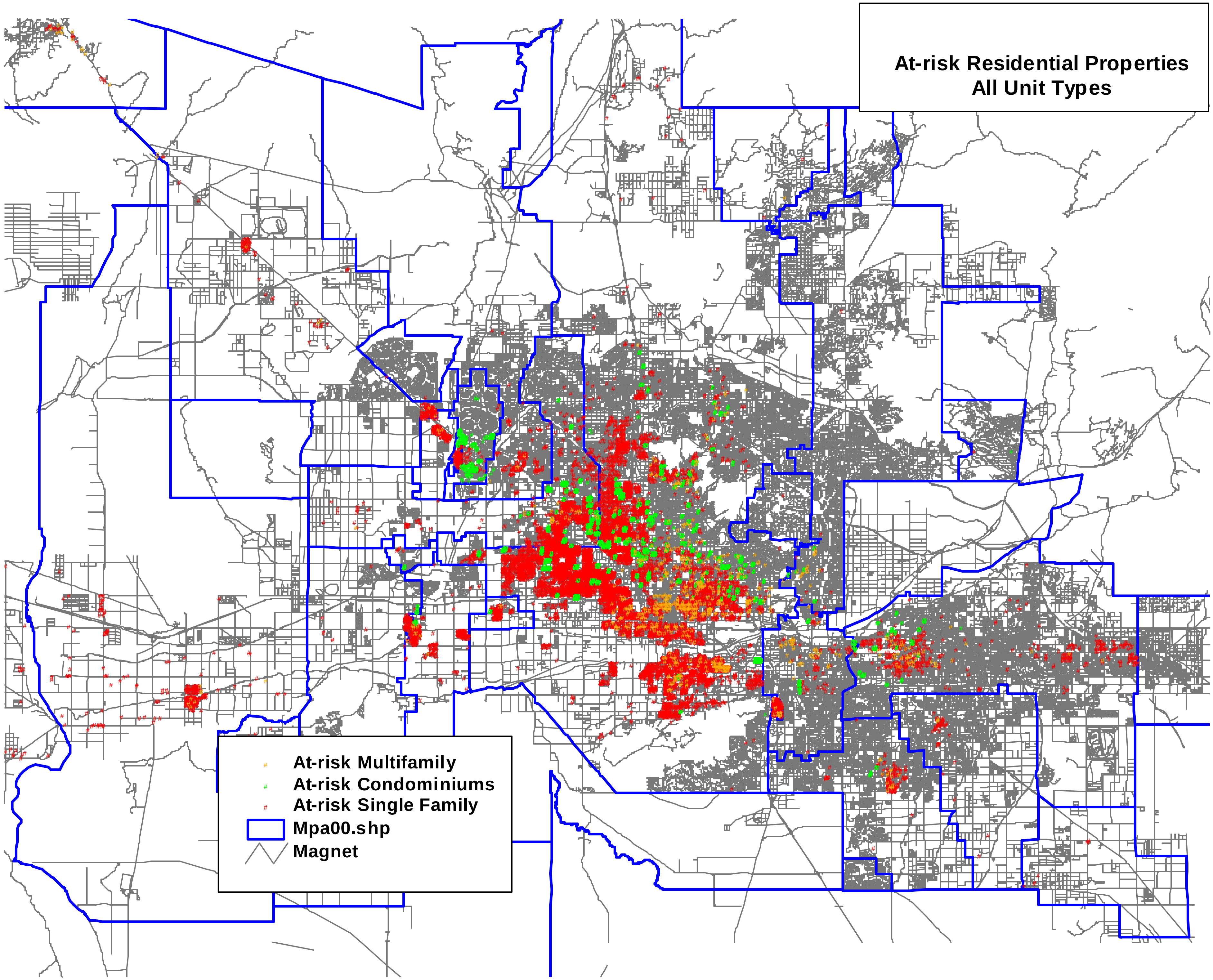
Run Date:
22-Sep-01

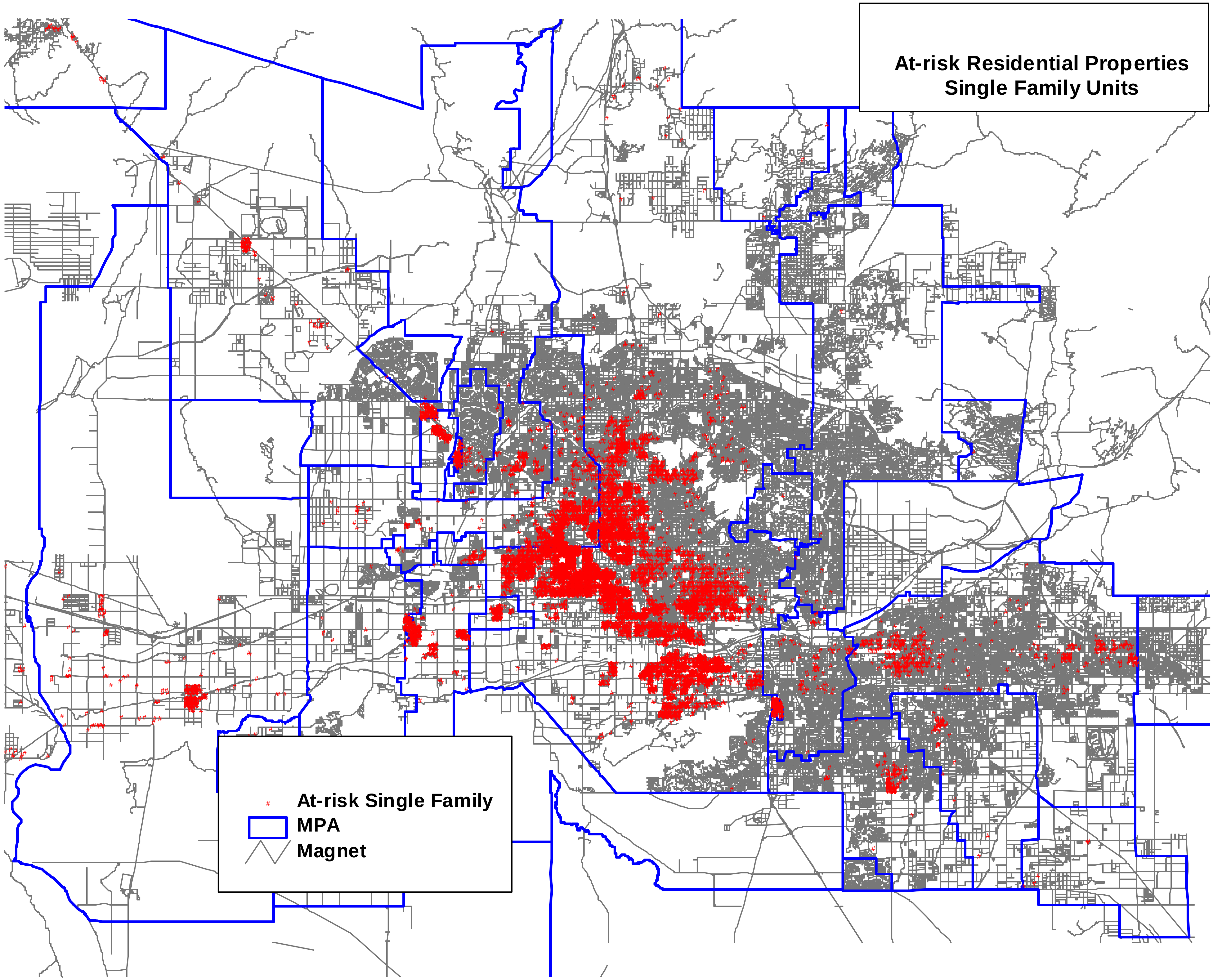
TABLE 6
MAG AFFORDABLE HOUSING STUDY

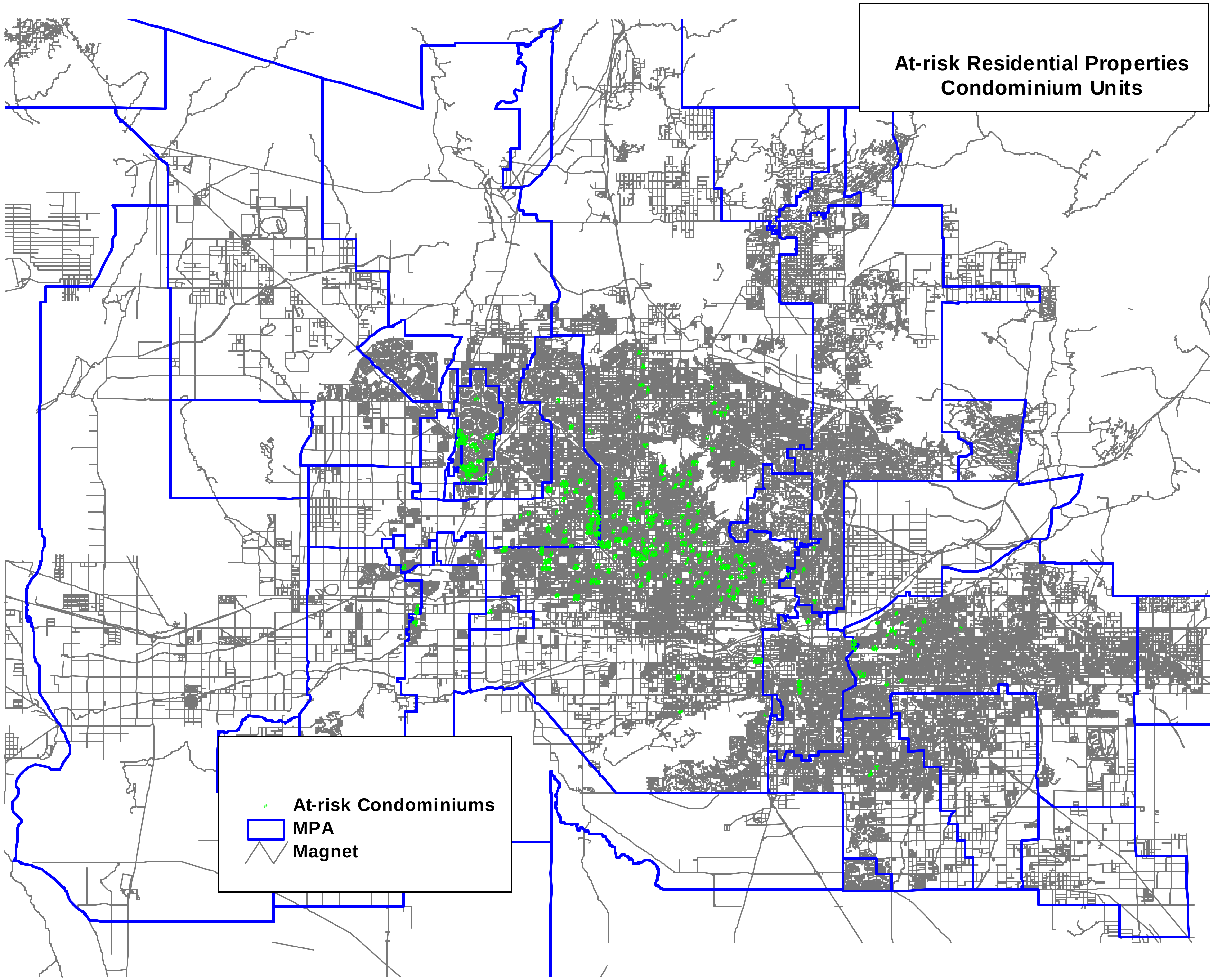
ESTIMATED AFFORDABLE HOUSING NEED, 2000

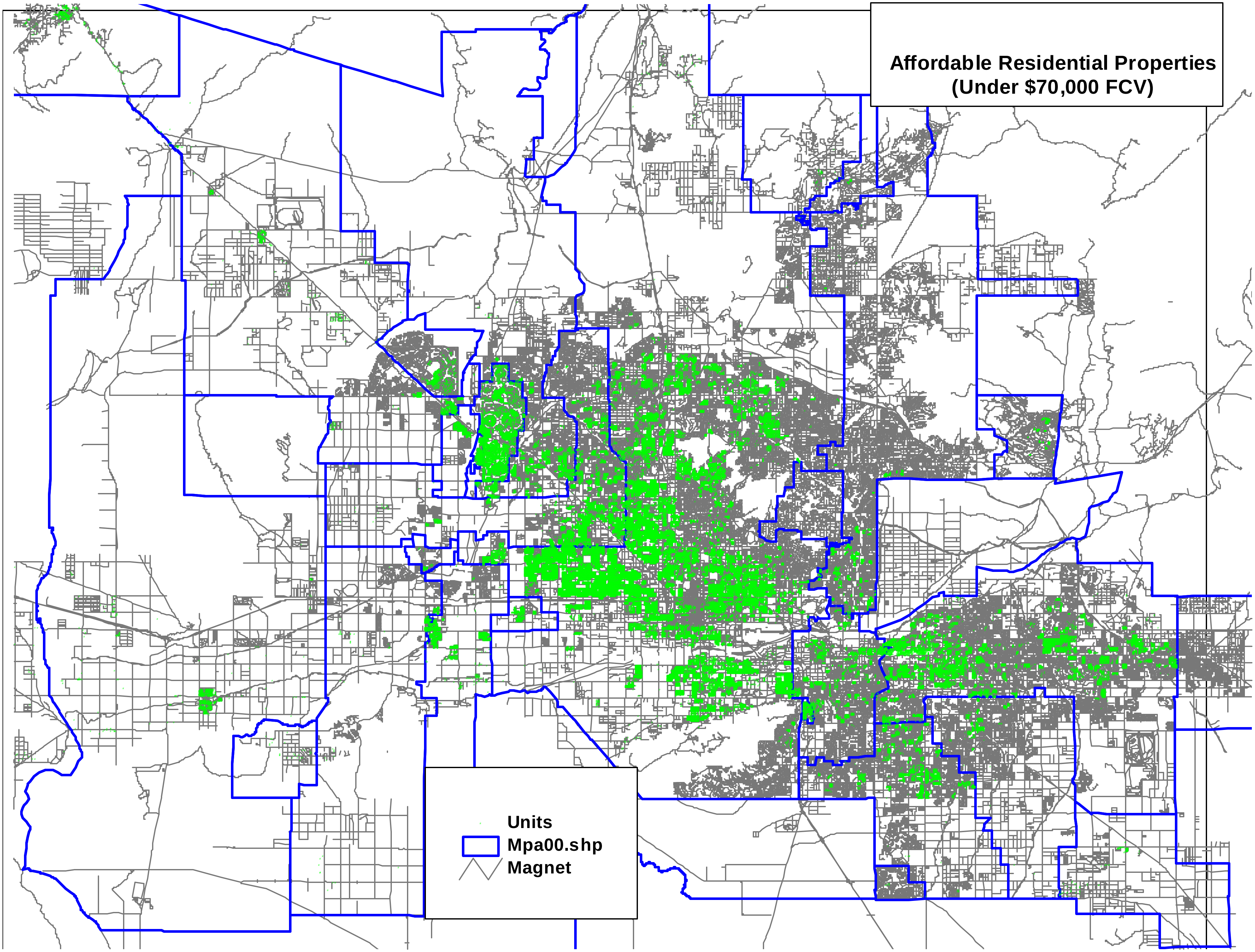
	Owner Households		Renter Households		TOTAL		TOTAL	
	HIGH ESTIMATE	LOW ESTIMATE 1/	HIGH ESTIMATE	LOW ESTIMATE 1/	HIGH EST.		LOW EST. 1/	
Household by Type, Income, & Housing Problem	Owner Households Earning Under 80% MFI In Need	Severely Cost Burdened For 51-80% Med.	Renter Households Earning Under 80% MFI In Need	Severely Cost Burdened For 51-80% Med.	TOTAL IN NEED	% OF ALL H'HOLDS	Severely Cost Burdened For 51-80% Med.	% OF ALL H'HOLDS
MARICOPA COUNTY	117,471	83,628	166,832	151,679	284,303	24.58%	235,307	20.35%
CITY OF PHOENIX	49,147	34,894	81,056	74,102	130,203	26.80%	108,996	22.43%
CITY OF CHANDLER	5,046	3,144	7,423	6,602	12,469	20.40%	9,746	15.95%
CITY OF GLENDALE	7,823	5,427	12,718	11,894	20,541	26.60%	17,321	22.43%
CITY OF MESA	14,304	9,515	21,953	19,615	36,257	24.63%	29,130	19.79%
CITY OF PEORIA	5,250	3,030	2,548	2,407	7,798	19.58%	5,437	13.65%
CITY OF SCOTTSDALE	6,572	5,033	10,664	9,141	17,236	19.17%	14,174	15.77%
CITY OF TEMPE	3,907	2,756	13,595	11,597	17,502	28.22%	14,353	23.14%
TOWN OF GILBERT	2,813	1,727	3,492	2,962	6,305	18.06%	4,689	13.43%
MARICOPA COUNTY BALANCE	22,609	18,102	13,383	13,359	35,992	23.05%	31,461	20.14%

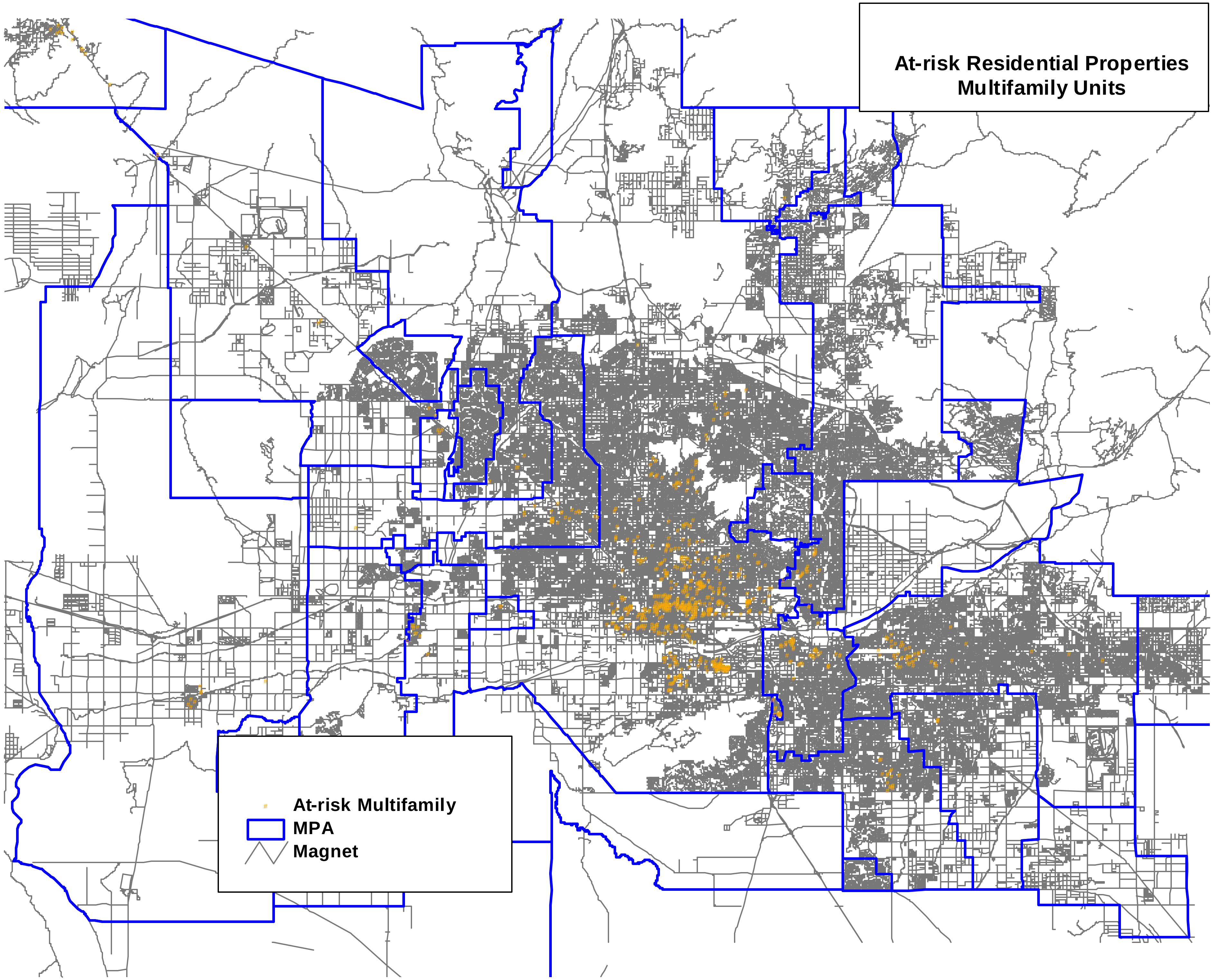
Source: City of Phoenix and Maricopa HOME Consortium Consolidated Plans, FY 2000-'04.
1/ Low estimate includes only severe cost burden for households earning 51 to 80% of the median.


At-risk Residential Properties
All Unit Types
At-risk Multifamily
At-risk Condominiums
At-risk Single Family
Mpa00.shp
Magnet


At-risk Residential Properties
Single Family Units
At-risk Single Family
MPA
Magnet


At-risk Residential Properties
Condominium Units
At-risk Condominiums
MPA
Magnet


Affordable Residential Properties
(Under $70,000 FCV)
Units
Mpa00.shp
Magnet


At-risk Residential Properties
Multifamily Units
At-risk Multifamily
MPA
Magnet

APPENDIX 2.0

Best Practices: Affordable Housing

BEST PRACTICES: AFFORDABLE HOUSING

South Tenth Avenue Historic Preservation Project, Tucson, Arizona

Tucson, Arizona. When the South Tenth Avenue Historic Project tackled the need for affordable housing in the Tucson area, not only did the project provide homeownership to the area's low-income residents; it also created living links to the area's historic past. The Project provided 10 affordable homes for low-income residents in the Barrio Historico neighborhood, a historic area silenced by neglect but ripe with tradition and history. Using funds from HUD's HOME program, the Primavera Foundation and homebuyer assistance funds from the Federal Home Loan Bank of San Francisco, the project provided 10 affordable housing

The new homeowners, comprised of Hispanic and Anglo residents, reflected a diverse range of nuclear and extended families, and included both young families and senior adults with grandchildren. Not surprisingly, two of the new homeowners were actual descendents of the original homeowners—living links to the neighborhood's past.

While homeownership rates in the Barrio Historico area are 51 percent, well below the national average of 67 percent, the biggest challenge for families is to save sufficient funds for downpayments and closing costs.

The South Tenth Avenue Historic Project complies with historic regulations, creating a respect for the area's past with thoughtful historic rehabilitation. The homes represent both pueblo and sonoran design, and include a number of elements intended to blend within the local historic neighborhoods. Project staff worked with the City of Tucson's Historic Commission on review and construction approval.

The homes, in a neighborhood where a HOPE VI development is located, include seven renovated and three new-construction units. Five of the historical adobe structures existed on the site but had been abandoned or vandalized. The partnership between the City of Tucson and the Primavera Foundation leveraged the HOME funds.

The housing carries on the neighborhood's traditions with community-oriented design that includes both front and back porches. The existing homes were essentially rebuilt, replicating the modernized with an additional bathroom.

Primavera Builders work crews, comprised of homeless residents, the working poor, and at risk high school students, handled construction while getting on-the-job training. Many of the job trainees who worked on the project moved on to full-time employment in the construction industry, and can earn living wages. Residents in this historic community have ample access to public transportation, and educational and job training facilities.

Many of the nation's historic urban areas are ripe with history and people willing to carry on the traditions of their community. The South Tenth Avenue Historic Preservation Project provided a needy community with living links to the past, homeownership and valuable job training, while restoring extremely dilapidated historical structures into beautifully finished homes.

Centro del Pueblo and Plaza del Sol, San Francisco, California

In the Valencia corridor of San Francisco, 14 nonprofit agencies line up to pay rent—to themselves. Ranging from the Jesuit Volunteer Corps to the Tile Mosaic Shop, the organizations jointly own Centro del Pueblo, the city's first nonprofit-owned, mixed-use office and affordable housing complex. This self-investment has proved beneficial for the more than 200,000 community members in 1999 who accessed the array of direct services the co-located agencies provide on site. The nonprofits also provide affordable housing and services to residents of the on-site 52-unit Plaza del Sol serving low-and moderate-income families.

Initial HUD technical assistance helped 5 of the 14 agencies to collaborate in 1988 and eventually expand to reincorporate as Centro del Pueblo in 1992. The mayor's Office of Community Development and the National Economic Development and Law Center played key roles as well. CDBG grants help support the project, which received $1.4 million from Bank of America's Community Development Bank and $1.5 million from foundations and corporations. The collaboration currently has a positive cash flow of $28,000 above the budgeted $330,000 and has generated additional revenue through renting an on-site auditorium and other meeting space to community groups.

The agencies relied on the following steps to achieve ownership:

- Conduct feasibility study to determine community needs, nonprofit capacity, local government interest, available land and prospective private partners.

- Determine a corporate structure for ownership and operating purposes.

- Identify and secure public and private financing resources.

Co-ownership and collaboration encouraged the agencies to pool their resources in new efforts. The agencies monitored lending institutions on their Community Reinvestment Act (CRA) performance and, through one of the faith-based members, provided volunteers to assist with projects in low-income areas of California, Arizona and New Mexico. The collaboration also has built several hundred units of affordable housing.

Plaza del Sol residents and community members can meet multiple social service needs in a single setting—from child care to legal services to housing counseling. Plaza del Sol has an on-site resource center that offers residents access to computers, employment referrals and tutorial services. Center computers linked to the San Francisco Unified School District's computer system expand educational resources available to residents and help students improve their grade performances.

Parker-Kier Building, San Diego, California.

Architectural awards, affordable housing and historic preservation rarely goes hand-in-hand. Yet the 87-year-old Parker-Kier building in San Diego, California, has achieved all three through partnerships and an array of funding sources. Overlooking San Diego Bay, the renovated facility provides 34 units of rental housing for low-income individuals and individuals with mental illness.

The San Diego Housing Commission, which purchased the deteriorated property located in a neighborhood suffering from urban blight, showed the vision to preserve its original beauty while providing affordable rental housing. The commission partnered with two nonprofits—The Association for Community Solutions (TACHS) and A Community of Friends (ACOF)—to operate the facility and provide access to off-site support services for the 22 mentally ill residents.

These organizations soon found themselves responding to another call—that of the community resisting the concentration of mentally ill residents at Parker-Kier. Through a series of community forums, TACHS and ACOF helped allay complaints by educating neighbors on the characteristics and needs of mentally ill individuals. The nonprofits also worked closely with the city council and police department to address issues related to parking, property line disputes and site security.

HUD's Shelter Plus Care grant provides rent subsidies for the mentally ill residents. Additional funding includes an interest-free loan of $695,000 from the city of San Diego's Redevelopment Agency, $82,000 from the San Diego Housing Commission, $315,000 from the San Diego Housing Trust Fund and $135,000 from the State of California Energy Conservation Fund.

Independent living supplemented by support services has allowed the residents to steer clear of institutionalization and maintain a stable life. In turn, resident stability has helped diminish the neighbors' concerns. Additional results include financial benefits for the community, which does not have to bear the burden of institutionalization for the mentally ill.

On the heels of the Parker-Kier restoration, owners of nearby properties have begun to renovate or tear down abandoned buildings. The waterfront business district west of the Parker-Kier is undergoing extensive redevelopment.

State of Colorado's Department of Human Services' Partnership, Denver Colorado

Affordable homeownership can be the source for integrating persons with disabilities more fully into their communities. A pilot project by the Colorado Department of Human Services and key partners has become a valuable resource for low-income persons with disabilities who want to become homeowners. In just the few first months of operations, several low-income persons with disabilities are already in the beginning stages of homeownership.

Programs partnered with six lenders, the Colorado Housing and Finance Authority and 60 local service providers to help families through the loan application process and provide counseling before, during and after the purchase process.

Eligible families—those affected by disabilities and earning less that 30 percent median income—obtain loans through participating lenders who sell the loans to the Colorado Housing and Finance Authority through the agency's HomeAccess program. The HomeAccess program offers first mortgage loans at a fixed interest rate of 3 percent with a 30-year amortization and a deferred second mortgage loan at 1.5 percent simple interest rate for up to $10,000 in assistance with down payment and closing costs. An important element of the program is the experimental use of Section 8 Assistance as a source of funds for mortgage payments: HomeAccess considers Section 8 Assistance in its underwriting and accepts mortgage payments from the borrower and from the Section 8 Program. The acceptance of Section 8 pay-ments permits borrowers to qualify for a higher mortgage than would otherwise be possible. Participant success in meeting their ongoing financial obligations is further ensured by an established network of flexible, long-term support services that are made available to help them with independent living.

Habijax Lot Preparation, Jacksonville, Florida.

Jacksonville, Florida is a city with approximately 50,000 residents living in substandard housing, 75 percent of them children. Many of these residents are in substandard rental units. The city of Jacksonville was in immediate need of quality housing for low- to moderate-income residents.

Habijax Lot Preparation—a Habitat for Humanity project—provides homeownership for low- and moderate-income families who are unable to obtain home financing through conventional means. As a result of their revitalization efforts, 270 low- to moderate-income families are able to purchase newly constructed homes.

Since 1997, the city of Jacksonville has provided $900,000 of Community Development Block Grant (CDBG) funding to Habijax, one of the most active local chapters of National Habitat for Humanity. Since October of that year, 50 of the 270 families assisted also received down payment assistance from the CDBG funds.

This project is being implemented in specific neighborhoods designated Intensive Care Neighborhoods by the Mayor, which assures that the city is implementing multifaceted revitalization projects in each neighborhood. The project has utilized more than $8.8 million of non-CDBG and non-state assistance, including $3.3 million in corporate contributions, on housing construction activities.

The project employs local and county agencies, private and public funding sources, along with the local Habitat for Humanity office to offer assistance to its participants in the form of construction and financial assistance. Homeowners also are required to contribute a small amount of sweat equity to purchase their homes. Habijax's housing construction homeownership activities are implemented and financed through diverse volunteers and corporate sponsors—a major component of the revitalization efforts. Strong community support is vital for the operation of this program.

Habijax participants are committed to total neighborhood renovation as well as improving the local housing market. Their dedication to the community is vital to bringing the dream of homeownership to the local residents.

Montana Preservation Project, Statewide-Montana.

The Montana Preservation Project was able to ensure that eight affordable housing rental complexes (410 units) in western Montana were preserved for lower-income families and elderly persons. Everyone involved—the sellers, buyers, communities and residents—is happy with the outcome.

The apartment complexes were sold to nonprofit sponsors to preserve their affordability. One of the eight complexes was transferred separately using tax credits, CDBG, HOME and affordable housing funds. The most significant element of the packaging of the remaining seven complexes is the maintenance of the Section 236 interest reduction payment by dropping the FHA insurance and moving the mortgage into a risk-share first-position mortgage. The purchase and $3.6 million in rehabilitation were financed by $9.2 million in first mortgages, $4.16 million in tax credit proceeds, $2.9 million in second mortgages, $1.43 million from the Federal Home Loan Bank and $111,000 in seller-held paper.

This project is the direct result of the expiration of HUD's preservation program since sales pending between for-profit owners and not-for-profit buyers were not finalized at the time of the expiration. These complexes were then at risk of having their rents raised, which would have removed them from the affordable housing inventory. The residents of the apartment complexes were worried that they would be forced to move as their homes were taken off the Section 8 program. The communities and the state were concerned that the affordable housing units would be lost.

The Montana Preservation Project creatively responded to the challenge by working for state legislation that would have the state taking an interest risk position. The success of the project required that the State Board of Housing buy the outstanding mortgages and subordinate that debt. Success also required establishing trust between partners that had not previously worked together, simultaneous closing of seven projects with the loan purchase, funding the risk share, funding the tax credits and disbursing the FHLB funds. One of the complexes required federal legislation to permit pulling it out of a GNMA security without losing the 236 subsidy.

Similar projects can be undertaken throughout the country by taking the following five steps:

- Identify a nonprofit purchaser
- Negotiate the price with the owner
- Identify a tax credit partner
- Work with the State Finance Agency
- Negotiate 236 interest reduction payments with HUD.

Home Ownership Services, Rochester, New York.

The Home Ownership Services Program offers assistance that is designed to reach people in Rochester and Monroe counties with wide-ranging concerns related to home ownership and provides services in English, Spanish and American Sign Language. For first-time homebuyers, pre-purchase counseling provided by the program enhances their consumer skills and walks them through the complicated homebuying process. The program works with local lenders to provide counseling as part of HUD's Comprehensive Housing Counseling Program. Senior citizens can receive information and assistance on reverse mortgage programs such as HUD's Home Equity Conversion Mortgage (HECM) to help people with limited incomes remain in their homes.

Acting as an advocate for homeowners facing foreclosure, the program helps by negotiating realistic repayment plans with their lenders and loan servicers. In addition, the program works with the families to develop budgets and discover untapped income sources that will assist them with meeting future payments. Qualified homeowners who demonstrate an ability to maintain mortgage payments are offered deferred payment loans. It also helps eligible families access mortgage relief funding available through some of the local town's Community Development Block Grant funding for families who have fallen behind in their mortgages due to circumstances beyond their control.

In 1999, the Housing Council's Home Ownership Services Program provided pre-purchase counseling to 178 first time homebuyers and proceeded to close loans, allowing homebuyers to complete the purchase of their first home. The program also counseled 317 families who were delinquent in their mortgage payments—95 percent of whom succeeded in avoiding foreclosure.

Home Ownership Services works in partnership with various organizations to conduct outreach in the community. Referrals come through HUD's FHA programs, the Consumer Credit Counseling program, and advocates such as the American Association of Retired People (AARP). Home Ownership Services staff also works closely with local lenders, area governments, and senior citizens centers to keep them informed of available services.

Homeless Veterans Apartment Complex, Salt Lake City, Utah.

The Housing Authority of Salt Lake City, Utah (HASLC), brought together nontraditional funding partners to acquire and rehabilitate a 14-unit complex for homeless veterans who were willing to enter into a lease requiring a mandatory work component. The program, the first in HUD's Rocky Mountain Region, was innovative in the way it brought in partners to provide the housing, casework and social services, and vocational training and job placement. Grant proposals were written to the Department of Veteran Affairs, the State of Utah, HUD HOME funds, the Federal Home Loan Bank of Seattle through First Security Bank, and the Salt Lake City Redevelopment Agency.

HASLC's program was developed to serve a specific clientele, the homeless veteran. The veteran must have the physical ability to participate in a vocational job training program and is required to pay 30 percent of his income toward the rent. Residents are required to maintain their apartments in a safe and sanitary condition, and are encouraged to maintain the grounds to foster community pride.

Monthly meetings are held to address any property management or case management issues. The program offers independent living opportunities and vocational training within a supportive environment. The goal is to break the cycle of homelessness through transitional housing, resolve problems that contribute to homelessness, and help the veteran earn enough money to live in the community after 18-24 months. Faced with a number of challenges, including finding a suitable building and convincing the neighborhood that this was a good program, HASLC collaborated with local nonprofit organizations, a federal agency and faith-based organizations. The project has a number of tangible results:

- A 14-unit dilapidated apartment complex has been bought, rehabilitated and is now an asset to the community.
- The creative funding for this project opened the doors for more collaboration between the housing authority and Veterans Affairs.
- Collaboration with a local manufacturer created a new partnership that is valuable to the housing authority in its other programs.
- The collaboration with other partners broadened the housing authority's visibility in the community and led to an improved relationship with the private sector.
- To date, 24 formerly homeless veterans have a safe place to live, are in active case management and are learning new job skills.

Intangible benefits include the veterans' new sense of belonging. They are moved from a crowded shelter into an apartment that they can call their own. They are given the opportunity to work with a case manager to help them break the habits that caused them to be homeless. Veterans are given a place of employment free of prejudice about their past history.

To establish a similar program, communities should determine the scale and scope of the homeless veteran problem; identify third-party service providers, prospective employers and referral agencies; identify a suitable site; assemble funding, obtain approvals, purchase the site, build or rehabilitate the structure; negotiate and sign agreements with service providers and employers; and identify, screen and qualify prospective clients.

Chesapeake Affordable Homeownership Partnership, Chesapeake, Virginia.

When a government-sponsored development of 850 cinderblock units for shipbuilders in the Campostella Square neighborhood of Chesapeake, Virginia, was first built in the 1940s, the life expectancy for the homes was only five years. Decades later, low-income families living in these homes suffered from health and safety complaints arising from buildings long past their prime. A public-private- nonprofit collaboration called the Chesapeake Affordable Homeownership Partnership (CAHP) is helping revitalize this distressed area while offering homeownership opportunities to low-income families.

The partnership is composed of lead partner Chesapeake Redevelopment and Housing Authority (CRHA), South Hampton Roads Habitat for Humanity and the Tidewater Builders' Association (TBA). CRHA began working with the Tidewater Builders' Association in 1990 to build affordable homes on-site in Chesapeake. In 1993, TBA began constructing three-bedroom, energy-efficient homes off-site at its apprentice training center. The CRHA arranged to purchase completed off-site homes and move them to prepared lots in a Chesapeake neighborhood targeted for revitalization.

At the same time, CRHA donated lots so that its other partner—Habitat for Humanity—could construct single-family homes in the revitalization zone. In 1996, CRHA forged the TBA and Habitat partnerships into a broader program that capitalizes on the strengths of all. This centerpiece program entailed moving eight of the TBA homes constructed off-site to Habitat-built foundations on CRHA-prepared lots. Habitat volunteers built the foundations and put the finishing touches on the homes, which include front porches and utility connections.

The homes are sold through lease-purchase arrangement to first-time homebuyers. At least 30 apprentices are required to build each home. To date, the program has provided employment and educational benefits to more than 270 economically disadvantaged students.

Partnership development and construction of new homes proved easier than attracting potential homeowners to the Campostella Square area once well known for crime and blight. To address safety and area economic viability issues, the partnership held a series of meetings with churches, the business community and residents to form a neighborhood association. Partnership staff also worked with the police to increase area patrols. Habitat for Humanity promotes the area when they interview candidates for homeownership. These efforts helped convince residents and new homeowners of the partnership's commitment to long-term revitalization.

The partnership has allowed Chesapeake to leverage CDBG and HOME funds to eliminate blight, bolster homeownership rates and develop long-term, living-wage employment opportunities for public and assisted housing residents. Approximately $288,000 in HOME and CDBG funds was supplemented by more than $104,000 of in-kind donations from Habitat for Humanity and $200,000 from the Tidewater Builders Association.

The program has built eight new homes to date—one of the new homeowners is a former Chesapeake public housing resident—and expects to add more homes annually through the three-tiered partnership effort. Campostella Square, once designated an area "most in need of housing assistance," is experiencing a surge of building activity. In addition to the homeownership program, more than 300 new rental units and a community center are planned, with new mixed-income homes and market-rate homes on the horizon.

Sweat Equity Program, St. Louis, Missouri.

One of the most difficult components of obtaining a home is saving for the down payment and closing costs. The Sweat Equity Program developed by the St. Louis HUD office permits homebuyers who are applying for an FHA-insured loan to exchange manual labor for a percentage of their down payment and closing costs of a new home.

There was a need in the St. Louis area to creatively find a way to help first-time homebuyers with down payment and closing costs. The Program found it necessary to provide tasks for the buyers that are easy to accomplish without the need to posses any special skills. The Sweat Equity Program has contributed to a 30 percent increase in homebuyer sales to first-time home buyers.

As a result of the St. Louis Sweat Equity program, many St. Louis families who could not otherwise afford a home now have the opportunity to earn their down payment and closing costs in exchange for manual labor. Prospective homeowners can plant grass seed around their house for a 1 percent discount on their down payment and can paint the inside of their home for a 2 percent discount. In both cases, the housing contractor supplies all necessary supplies and the homebuyer provides the labor. The program allows homebuyers to earn approximately 50 percent toward the down payment and closing costs on their home.

The St. Louis Sweat Equity is a partnership between the HUD—FHA, Missouri Housing Development Corporation and the St. Louis Community Development Agency. Sweat Equity is a great way to involve homebuyers in the initial building phrase of their new home. With the cooperation of agencies at the state and local level along with area businesses, Sweat Equity is a program that can be implemented in cities across the U.S. The Sweat Equity Program has been successful in enabling low-income homebuyers to become involved in the construction of their new home and ease the financial burdens that inhibit homeownership.

APPENDIX 3.0

Best Practices: Neighborhood Revitalization

BEST PRACTICES: NEIGHBORHOOD REVITALIZATION

Wilson School Coalition in Phoenix, Arizona.

The Wilson School Coalition was formed in response to deteriorating student school achievement in a Phoenix, Arizona neighborhood. Created to provide needed services for families and children attending the local schools, the 65-member public and private partnership improved student achievement and revitalized the community by matching community needs with available resources.

The Coalition began as a mentoring program to assist students in the neighborhood but soon expanded. The Coalition developed a comprehensive mission statement aimed at treating the entire needs of the community's children. They identified six areas of community concern: increasing youth activities, developing relationships with local media, improving safety in the neighborhood, improving housing conditions, promoting family wellness, and increasing educational outreach.

The Wilson School Coalition would not be possible without the various partnerships formed to address the community's needs for its children. Local neighborhood associations, area banks, local law enforcement officials, and various other community businesses came together with area residents to improve student achievement and revitalize the community. Early results include an increase in student test scores and infusion of funding from outside the community of more than $13 million for rehabilitation of 300 apartments and construction of four single-family homes.

The Coalition members provide a multitude of resources for the neighborhood children. What makes this program unique is its ability to address a wide range of needs. The partnerships implemented programs to assist the children with school and family needs. The partnership provided after school programs, field trips, reading programs, student job internships, private high school tuition and ongoing tutoring, career fairs, training and job placement for parents of Wilson students, primary medical and dental care, new housing construction and renovation, and neighborhood clean up and crime prevention.

Communities can reproduce the Wilson School Coalition by focusing on the essential components of a neighborhood's needs and dividing those tasks into workable projects for each group. Assistance in the form of community and business volunteer time is vital to the success of this program. Multiple partnerships like these are the fundamental principles to improving student success on all levels.

Renaissance Entrepreneurship Center (REC), San Francisco, CA

Hailed as the nation's first micro-enterprise training and incubator program, the Renaissance Entrepreneurship Center helps low- and moderate-income residents develop small businesses and grow existing ones. The center has been in existence since 1985 and it provides training for new and existing business owners and offers a business incubator to stabilize struggling businesses.

"Building Dreams," is something that the center does everyday. This is accomplished by empowering and increasing the entrepreneurial capabilities of socially and economically diverse people in San Francisco Bay Area. The center is a unique multi-cultural marketplace of entrepreneurs. Diversity is a critical factor of the center's success. Program participants come, not only from a range of racial and ethnic backgrounds, but have different levels of educational and occupational experience.

The center offers a comprehensive array of business training and support programs offered at its facility as well as off-site in the Bayview District of San Francisco. Services are offered to people who are exploring self-employment, as well as those who already own a small business and need specific kinds of assistance.

The center's goal is to spark lasting economic development for individuals and communities that traditionally have not had access to capital and business support. The center offers training programs, a The center offers a range of practical, hands-on training in business management for both the new entrepreneur and the more experienced business owner. Applicants to any of the programs must demonstrate the motivation needed to start and grow a small business, attend a free orientation and submit an application. The Financing Resource Center assists participants in the acquisition of capital from traditional and nontraditional source of funding. It provides a conduit for traditional lenders to lend under somewhat nontraditional circumstances or in specific markets such as minority, women, low-to-moderate income and geographically designated business enterprises. Staff prequalifies loan applicants and represents them to the appropriate financial institution. An advisory board of Renaissance lending partners assists with the program design and fundraising. Between 1995 through 1997 there were 46 funded loans totaling $2 million.

The center's Business Incubator is designed to assist new entrepreneurs to successfully grow their small businesses by providing low cost office space, office support services and business management assistance. The Business Incubator is a long term, temporary business location. Tenants are expected to develop specific goals for the growth of their business. Tenants are expected to "graduate" from the Business Incubator when they reach their goals and are ready to expand. This process normally takes approximately three years. In addition, technical assistance is provided twice per month by the center's staff and business experts. Consultants cover topics such as financial planning, marketing strategy, access to loans and business planning.

Center resources have increased area economic development, expanded employment opportunities, and resulted in an infusion of products and services into the area. More than 1,200 low-income residents have received training, of whom 450 are now business owners. In 1999, these businesses generated approximately $37.5 million and created 1,200 new jobs. The business incubator has helped stabilize 45 businesses.

StoreWorks, New York City, New York

How best to handle deteriorating mixed-use properties is an ongoing problem in urban neighborhoods. Even one unused, declining building in an otherwise economically viable neighborhood can have a significant impact, but finding private investors willing and able to take on the costs of rehabilitation and financing is a challenge. One answer is the StoreWorks Project in New York City. StoreWorks facilitates the purchase, redevelopment and return to private ownership of vacant, deteriorated city-owned buildings.

Before the StoreWorks Project, the neighborhood business community—the group that was most interested in buying and maintaining these city-owned properties—was excluded from the market because of the high cost of development and financing. By leveraging financing from both the public and private sectors, the project created a solution that allows members of the community to be the driving forces in redevelopment.

StoreWorks is a collaborative partnership among the City of New York Department of Housing Preservation and Development (HPD), the Neighborhood Housing Services Community Development Corporation (NHS), HUD, and the BNY Mortgage Company. In the first round of the project, HPD sold NHS 34 properties consisting almost exclusively of buildings with a storefront at street level and 1-8 housing units on the upper stories. BNY Mortgage Company, Greenpoint and EAB provided private sector financing, while renovation and permanent financing was obtained through a HUD-insured FHA 203(k) mortgage. HPD provided additional funds through city subsidies. During the second round, 63 mixed-use buildings with 168 dwelling units are slated for commercial and residential renovation.

Loans for mixed-use properties are commonly treated like commercial loans and therefore require a large down payment and higher financing costs. These requirements exclude most small neighborhood-based business owners. FHA's low down payments and reduced closing costs removed these barriers and enabled neighborhood business people to qualify. The use of the HUD mortgage in collaboration with the BNY Mortgage private sector financing helped solve the problem of financing mixed-use properties.

The project takes advantage of the existing resources of all of the major partners. HPD had an inventory of deteriorated properties and was willing to subsidize the project. NHS has development experience, and it delivered qualified buyers through its existing homeowner and landlord counseling. The collaboration between HUD and BNY Mortgage designed the financing and funded the loans, enabling the rehabilitated units to be passed on to the qualified neighborhood buyers.

The StoreWorks Project goes beyond returning run-down buildings to the market; the project is also a force for community revitalization. In addition to increasing the number of affordable rental housing units, it has boosted employment, retail services and economic opportunity.

Universal Companies CDC, Philadelphia, Pennsylvania.

Universal Companies is a community development corporation in South Central Philadelphia that takes a holistic approach to community revitalization, addressing the need for improved housing, education, and economic development. By building the organizational and economic capacity needed to challenge many of the underlying causes, as well as the effects, of poverty, Universal Companies promotes opportunities for positive community change through real estate development, workforce development and education. Its efforts to improve the physical landscape of the community are anchored by a commitment to rebuild the hope, confidence and spirit of the people who live there.

Universal Companies is a group of nonprofit organizations that have emerged from Universal Community Homes, started in 1993 as a developer of affordable housing. Universal Companies has expanded to provide quality affordable housing, education for children and adults, employment opportunities, and economic development, with projects that include new and rehabilitated townhouses, a charter school, a new small business support center and a six-story workforce development center.

Since its inception, Universal Companies has developed 120 units of rental and homeownership housing, more than 75,000 square feet of commercial space, and operates four programs at a cost of more than $22 million.

The consortium of Universal Companies is formed by Universal Community Homes and includes entities such as a construction company, a business support center, a center for employment training, retail operations, a charter school, and a resource center. This consortium also works in partnership with external companies and organizations that operate as one of two teams: either development or finance. The teams include companies that focus on development and property management, construction, law, architecture, and financial institutions. The Universal Companies also work in partnership with city, state, and federal agencies.

The areas targeted by Universal Companies are located near other areas of Philadelphia that are undergoing redevelopment, such as downtown and the Avenue of the Arts, but the living conditions for residents in the target area are marked by low median incomes and high unemployment. In addition, more than 4,000 vacant houses and more than 1,000 vacant lots exist in the target area.

Universal Companies is involved in more than $300 million in real estate development projects that will result in developing additional housing, a community center, a performing arts training center, a workforce development center, commercial and retail space, and a charter school.

Job Creation Through Small Business Development and Retention, Marshall, Texas

Marshall, Texas. The community of Marshall is using a four-pronged educational and employment approach to tackle the town's long-term economic distress from plant closings and production cutbacks in oilfield- and ammunition-related industries. Although one-fourth of residents live in poverty, Marshall encouraged development of 61 small businesses resulting in 195 jobs and opened a technical college where 400 residents are currently enrolled.

To overcome limited educational and skill levels and high levels of illiteracy, the city undertook four programs offering basic academic skills and training in advanced technologies: 1. A Marshall campus of the Texas State Technical College to offer the technical training that pays high wages and is in demand by employers 2.Literacy education through partnership with the local literacy council 3.An aggressive small business development and retention program to create jobs 4.Funds to support small business development.

Marshall's first project was a city-owned Business Development Center launched in 1990. Next, the community lobbied the state legislature to create and fund the operational costs of the technical college, which opened in 1993. In 1995, local banks formed a bank-sponsored community development corporation that makes loan funds available to micro-businesses in partnership with the Business Development Center. The center's staff provides loan applicants with the technical assistance needed to prepare business plans and loan applications.

Using the college's high-tech resources, the Development Center expanded in 1999 to a business incubator called the Center for Applied Technology, located on the campus. The close relationship between the incubator and the college will provide opportunities for technology transfer and ensure support from college faculty. One of the incubator's buildings serves as an inexpensive retail cooperative for local manufacturers to sell their products, allowing them to increase revenue and jobs. A second building operates as an arts incubator where eight resident artists have opened retail studios and 11 artists participate in a cooperative teaching program.

The program involved partnership and funding from local, state and federal government agencies, three nonprofits and private businesses that donated land, buildings, equipment and expertise. Marshall Economic and Development Corporation funds supported the Business Development Center, campus land purchase and site construction. CDBG funds helped supplement the operational costs of the literacy council. The U.S. Department of Agriculture's Rural Development Agency awarded funds for a small business loan program. The U.S. Department of Commerce Economic Development Administration funded the business incubator, high-technology center and campus construction. In an area seeking to renew its economic base, partners needed little convincing to support long-term economic opportunity by investing in a well-educated and well-trained workforce.

Sidewalk Job Training Project , Wichita Falls, Texas.

The City of Wichita Falls, Texas has developed a program that fulfills two needs in the community: the Sidewalk Job Training Project repairs public sidewalks and provides unemployed or unskilled individuals the opportunity to acquire valuable job skills. This unique program teaches participants the basics of concrete work through sidewalk construction and allows them the opportunity to attain a commercial driver's license.

With long-term highway construction projects underway, the City of Wichita Falls was facing a shortage of trained labor and construction workers. In addition, sidewalks in many areas of the city were aging and had fallen into disrepair. The Sidewalk Job Training Project provides the maintenance and repair services that improve the quality of life in neighborhoods, while creating a skilled labor force capable of gaining full time employment.

The program is operated by the City of Wichita Falls through Community Development Block Grant funds. It is a six-month job training program for individuals with few or no job skills—often participants who enter the program are dependent on welfare. The City provides employees to supervise the project and provide training, in addition to supplying needed equipment and wages for the participants. In return, workers learn to operate equipment and tools, remove old concrete, build concrete forms, and pour and smooth new concrete. The skills and work experience increase participants' marketability in the local labor market and also exposes them to the intangible qualities that help them find and maintain employment, such as the value of job responsibility and how to meet performance standards.

By working in the Sidewalk Job Training Project, participants have the opportunity and are encouraged to apply for a commercial driver's license. Since Texas law requires that applicants be employed in a position requiring a commercial driver's license before the test can be administered, participating in the program provides a rare opportunity to receive this valuable certification. The program also makes vehicles available to workers so they can take the driving portion of the test.

The Sidewalk Job Training program takes advantage of the rain delays that prevent cement work by creating additional learning opportunities for participants. During this time they can learn more about concrete forms, take safety courses, and tour local concrete plans and laboratories to learn about the technical properties of concrete. Workers can also use this time to study for their driver's license exam. A significant benefit of the program for participants is the experience with city projects and the solid job attendance track record they can achieve, which helps in applying for permanent city jobs. Of the 48 individuals who have participated in the program, 18 have been promoted to full-time employment with the City of Wichita Falls and 16 have been hired by other employers or have gone on to attend college. The benefits of the Sidewalk Job Training project also extend to the livability of the City, since improving sidewalks can have a great impact on the appearance and the safety of a neighborhood. The program focuses on repairing dilapidated sidewalks or creating sidewalks in CDBG target areas, providing improvements in sectors of the community such as low-income neighborhoods, the downtown area, city parks, areas around public schools, and public facilities in the city and the county. The program also builds wheelchair-accessible ramps when needed.

Vista Township Neighborhood Revitalization, San Diego, California

Scarce funding and apathetic residents often impede cities struggling to rejuvenate low-income urban areas. The city of San Diego faced this problem in the economically depressed township of Vista, CA.

The Vista Townsite Area Partnership (VTAP) combined the resources of the city of San Diego and HUD to create a long-term plan for accelerating economic development in the township and providing the social services its residents would require to ensure the long-term success of the project. The VTAP plans to redevelop 33 acres of land in the township, creating 760 new jobs for its residents to help foster economic development. A movie theater, bookstore and other retail stores are planned. Social services, such as an employment center, are a key element of the urban renewal strategy.

The city's strong partnership with HUD enabled a Section 108 loan to be used to acquire the necessary property for redevelopment. HUD's "Raise the Roof" program attracted over 800 volunteers into the area to complete construction of 22 houses for low-income residents. The city's Community Development Block Grant provided funds for capacity building for the Community Development Commission (CDC) and also helped to establish the area employment center. Partnerships with nonprofit organizations, private businesses, and local banks also contributed significant funding to the project.

This project has had an amazing impact on this low-income, high-poverty area. Since VTAP's creation, the crime rate in Vista has dropped below the citywide average. Close relationships with local media have also helped to inform residents and publicize the changes underway in the community. These relationships have been responsible in part for the more than $1 million revenue that the city has been able to attract to the area, enhancing social and employment services and creating a successful, cohesive community. The development of the CDC has created a strong partnership with the local sheriff, enhancing positive communications between the community and the sheriff's office.

The Vista revitalization project has not been without its challenges. In addition to efforts to secure the necessary funding, project planners also had to struggle to ensure community involvement. Residents were unsure if the community meetings would address their concerns. To remedy this situation, Lynn Brown and her team surveyed 440 neighborhood households about their concerns during the revitalization process and made these concerns the focus of the neighborhood meetings. The goal of these meetings, Louis Torres stated, was to "build trust with neighbors and a sense of security." Because their concerns were being addressed, residents gradually became more vested in the revitalization process and became regular attendees at community meetings.

Stevens Community, City of Minneapolis, Minnesota

Stevens Community, a 622-unit low- to moderate-income property located near downtown Minneapolis, was in danger of defaulting on their HUD-uninsured mortgage due to a shortage of cash for much needed repairs as a result of arson. In addition, efficiency units were not renting well, and larger units suitable for families needed to be built. An innovative funding collaboration between HUD, the Minneapolis Community Development Agency (MCDA), the Family Housing Fund (FUF), the Minnesota Housing Finance Agency (MHFA), and the owners of the property, was formed to stabilize and repair the property. HUD identified critical repairs, developed a renovation plan, and initiated a Section 241 Supplemental Loan. The holder of the first mortgage agreed to an interest rate reduction, as well as, an extension of the loan term.

As a result of this cooperative effort, Stevens Community is being repaired and marketable low-income family units are being created. Neighborhood meetings keep local residents involved and advised of the plan's progress. As a result, the Stevens Community image is improving in the community.

Funding

HUD Section 241 Supplemental Loan $2,241,700
MCDA Loan $420,000
MUFA Loan $300,000
Family Housing Fund Loan $200,000
Partnership Loans $1,192,000

Paseo Corridor Drug-and Crime-Free Community Partnership, City of Kansas City, MO

On February 13, 1997, the Paseo Corridor Drug- and Crime-Free Community Partnership was formed among more than 60 property owners, community and neighborhood organizations, local, state, and federal officials, and resident groups. The Partnership Agreement is an effort to clean up a 15-block area of Kansas City which has a high density of assisted housing with extensive drug and criminal activity. The Agreement focuses on a three-phase strategy: Phase I - Safety, Security and Economic Stability; Phase II - Lifestyle Enrichment and Self-Sufficiency; and Phase III - Community Development Through Economic Empowerment.

The crime rate in the affected area has been reduced by 50 percent and residents feel safe to move about their neighborhoods. A uniform lease agreement, rules, and regulations have been adopted by all multifamily properties in the area. The city has agreed to post "no parking/stopping" signs on a major boulevard which is a known haven for drug activity. The Weed and Seed area covered by the Police Department has been expanded to include the entire Paseo Corridor. Over 25 abandoned buildings, which provided a place for illicit drug activity, have been demolished. A special hotline was established for residents in the Paseo Corridor to anonymously notify police of illegal activities. A neighborhood liquor store began carrying more groceries and changed its name from Spino's Liquor to A & J Market. The local police department began denying signature bonds for incidents in the area. The Courts agreed to stiffer conditions of probation for prostitution-related crimes. Property owners and managers assisted in changing the Missouri Landlord/Tenant law to expedite evictions for drug-related crimes in rental housing. A Landlord Training program was created to teach landlords and property owners ways to reduce drug and criminal activity in rental housing. To date, over 400 Jackson County landlords have attended the training. Lines have blurred between public housing residents, those living in privately-owned Section 8 housing, and other inhabitants of this area. Residents have begun looking at each other as neighbors and community partners.

COMBAT, Jackson County's anti-drug sales tax provides partial funding for Paseo Corridor Partnership initiatives.

Target Area Designation Program, City of Portland, Oregon

In 1995, the City of Portland launched a community development program intended to stimulate the revitalization of low-income neighborhoods by targeting them for special assistance. The Target Area Designation (TAD) program awards $36,000 per year for up to five years to community based organization to implement multi-faceted strategies. Priority issues and strategies are derived from neighborhood action plans that the neighborhood organization develops. Community-based organizations submit proposals to the city through the Consolidated Planning CDBG and HOME process. Criteria used to rate applications include the degree of need, the amount of neighborhood support, the capacity of the community-based sponsor, the level of existing partnership, and the adequacy of the plan for future citizen participation. Eight areas have received the designation, four have graduated and four others will continue for at least this year.

The target area receives a paid staff coordinator and is eligible to access, as well as is the focus of, an array of CDBG-funded and city-funded programs. These include code enforcement, housing rehabilitation, neighborhood cleanups, economic development loans, commercial revitalization through facade improvements and street plantings, street and park improvements, and neighborhood facilities. City staff and consultants provide TA.

Two-thirds of the TAD participants believe that this program is a significant contributor to the revitalization of the target areas. Community-directed development seems to work because neighborhood residents, businesses and local organizations know best what is needed to improve their communities. Participation in the development and implementation of revitalization activities allows residents to feel ownership and responsibility for the results.

Although it has been learned that "turning a neighborhood around" is more complicated, takes longer, and needs more resources than first realized, there have been some significant visual improvements: a new community center and over three miles of newly paved streets in one area; in another, 12 businesses have begun to revitalize the commercial district by participating in the CDBG facade improvement program; and in yet another, the fire hall and the sunken rose garden park that are important facilities in the neighborhood have been rehabilitated. Less tangible, but equally important, the TAD program has resulted in increased levels of neighborhood involvement and investment of time, money and community resources. Also, there is an increase level of partnering between the citizen residents and the city to address a common goal of revitalizing neighborhoods.

Although difficult, the city has developed a method to evaluate the TAD program by selecting common outcome measures (each area also has individual goals and objectives). Using these common issues, desired outcomes were developed: improved physical appearance, increased resident participation in community activities, improved perception of safety and livability by the TAD residents.

During 1996, the city hired a graduate student to evaluate the strengths and weaknesses of the program as well as the individual target areas. The result was a model that is now used to work with new target areas in identifying goals, performance measures, and tools to track accomplishments.

In 1997, the City of Portland received funding from the four HUD formula grants in the following amounts (rounded). The city budgets about $300,000 of CDBG annually for the TAD program. Other small CDBG programs targeted to neighborhood coalition offices also support the TADs, i.e., Christmas in April, Community Cycling Center, Friends of Trees, Project Linkage, and TLC-TnT.

CDBG $12 million
HOME $3.7 million (three grantee consortium)
ESG $315,000
HOPWA $760,000 (six county area)

West Franklin/Southwood Street Community, Anderson, South Carolina

The City of Anderson and its community partners have joined forces to rebuild, restore, and renew the West Franklin/Southwood Street community, the city's HUD-approved Neighborhood Revitalization Strategy Area. To spearhead this effort, the city and its allies constructed a neighborhood community center that serves as a hub for community services and activities. The Westside Community Center provides a central location for the administration of medical services, job training, after-school programs, and recreational activities for low and moderate-income residents citywide.

Anderson's School District Five donated the building and grounds that were once a high school for the center's location. The city's Department of Economic and Community Development allocated $25,000 of CDBG funds to help renovate it. Home Depot and Lowes retailers donated building materials, and BASF Corporation provided carpeting. In addition, Home Depot "lended" employees to paint, decorate, and cleanup the center. Other major stakeholders in the comprehensive renovation effort included the Anderson Area Medical Center, Anderson County Government, Bell South Communications, Duke Power Company, First Citizens Bank, and Welfare Baptist Church. The Westside Community Council Board of Directors was responsible for overseeing the direction of the center.

A community health clinic is one of the main services located within the Westside Community Center. The Anderson Area Medical Center, in addition to supporting building renovations by contributing $500,000 to the community center's general service fund, donated $250,000 toward the establishment of the health clinic. The newly built AnMed Westside Community Health Center opened its doors to low and moderate-income patients on April 21, 1997 and offers a full range of medical services including vaccinations, blood tests, physical exams, health screening and counseling, and preventive medicine. It is estimated that the health clinic has serviced more than 300 patients since its opening. A city police substation also operates out of the community center after relocating in August 1997. Its presence makes a favorable impact on the residents and curtails adverse social activities.

Sunbelt Human Advancement Resources (SHARE), a recognized non-profit homeless service provider, has established an office in the center's building as well. The city's Economic and Community Development Department executed a subrecipient agreement with SHARE in July 1997. The organization receives $25,000 in CDBG funds to sponsor job-training services at the center for 30 low and moderate-income residents annually. The job training includes GED preparation and instruction in trades and professions that are driving the region. Piedmont Technical College provided computers that improve these job-training services. SHARE's job training program complements welfare-to-work initiatives provided by the Anderson Housing Authority's Family Self-Sufficiency Program. In addition, BASF Corporation is currently negotiating terms to arrange internships for SHARE graduates.

Other services available within the center include pro-bono counseling by local lawyers and accountants and meals from neighborhood churches. Future plans for the center include tutorial services, a satellite library office, YMCA programs, and a children's museum.

To make the Westside Community Center a reality, the city provided technical assistance by expeditiously approving building permits, relaxing tax burdens, offering client referrals, marketing and publicizing the center's activities, and providing funding when practicable. In addition to the establishment of the community center, the city is also improving public facilities in the West Franklin/Southwood Street neighbor as part of the overall revitalization effort. The improvements include the widening and resurfacing of curbs and gutters on Sugar Hill Street; installation of a sewer/drainage artery and the re-pavement of Owen Drive; and the betterment of four lots in preparation for the building of new homes through the Joint Venture to Affordable Housing (JVAH) program.